

SERFF Tracking Number: CELT-127073716 State: California  
Filing Company: Celtic Insurance Company State Tracking Number: PF-2011-00513  
Company Tracking Number: G5-541-00041 ET AL  
TOI: H16I Individual Health - Major Medical Sub-TOI: H16I.005C Individual - Other  
Product Name: Closed Blocks - Value One, CeltiCare II, CeltiCare 1.0/2.0/2.1, CeltiCare 3.1  
Project Name/Number: /

## Filing at a Glance

Company: Celtic Insurance Company  
Product Name: Closed Blocks - Value One, CeltiCare II, CeltiCare 1.0/2.0/2.1, CeltiCare 3.1  
TOI: H16I Individual Health - Major Medical SERFF Tr Num: CELT-127073716 State: California  
Sub-TOI: H16I.005C Individual - Other SERFF Status: Assigned State Tr Num: PF-2011-00513  
Filing Type: Rate Co Tr Num: G5-541-00041 ET AL State Status:  
Reviewer(s): Bruce Hinze, Angela Jang, Sai-on Sam, Ali Zaker-Shahrak, Wayne Thomas, Marina Zen, Karl Whitmarsh  
Author: Daniel Martinez Disposition Date:  
Date Submitted: 03/11/2011 Disposition Status:  
Implementation Date Requested: 04/01/2011 Implementation Date:

## General Information

Project Name: Status of Filing in Domicile:  
Project Number: Date Approved in Domicile:  
Requested Filing Mode: Informational Domicile Status Comments:  
Explanation for Combination/Other: Market Type: Individual  
Submission Type: Resubmission Previous Filing Number: celt-127012437  
Individual Market Type: Individual Overall Rate Impact: 8%  
Filing Status Changed: 03/11/2011  
State Status Changed: Deemer Date:  
Created By: Daniel Martinez Submitted By: Daniel Martinez  
Corresponding Filing Tracking Number: PF-2011-00175  
PPACA: Non-Grandfathered Immed Mkt Reforms  
PPACA Notes: null  
Filing Description:  
See cover letter

## Company and Contact

### Filing Contact Information

Daniel Martinez, Contract Analyst dmartinez@celtic-net.com

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 Project Name/Number: /

233 S. Wacker Dr. Suite 700 312-332-8387 [Phone]  
 Chicago, IL 60606-6393 312-441-0822 [FAX]

### Filing Company Information

Celtic Insurance Company	CoCode: 80799	State of Domicile: Illinois
Sears Tower	Group Code:	Company Type: LAH
233 South Wacker Drive, Suite 700	Group Name:	State ID Number:
Chicago, IL 60606	FEIN Number: 06-0641618	
(312) 332-5401 ext. [Phone]		

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### Filing Fees

Fee Required? No  
 Retaliatory? No  
 Fee Explanation:  
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Celtic Insurance Company	\$0.00		

SERFF Tracking Number:	CELT-127073716	State:	California
Filing Company:	Celtic Insurance Company	State Tracking Number:	PF-2011-00513
Company Tracking Number:	G5-541-00041 ET AL		
TOI:	H161 Individual Health - Major Medical	Sub-TOI:	H161.005C Individual - Other
Product Name:	Closed Blocks - Value One, CeltiCare II, CeltiCare 1.0/2.0/2.1, CeltiCare 3.1		
Project Name/Number:	/		

## Rate Information

Rate data applies to filing.

<b>Filing Method:</b>	SERFF
<b>Rate Change Type:</b>	Increase
<b>Overall Percentage of Last Rate Revision:</b>	8.000%
<b>Effective Date of Last Rate Revision:</b>	01/01/2011
<b>Filing Method of Last Filing:</b>	N/A

## Company Rate Information

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:		Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
Celtic Insurance Company	Increase	8.000%	8.000%		\$20,866	26	\$260,821	8.000%	8.000%
	Product Type:	HMO	PPO	EPO	POS	HSA	HDHP	FFS	Other
	Covered Lives:		24						5
	Policy Holders:		21						5

SERFF Tracking Number:	CELT-127073716	State:	California
Filing Company:	Celtic Insurance Company	State Tracking Number:	PF-2011-00513
Company Tracking Number:	G5-541-00041 ETAL		
TOI:	H161 Individual Health - Major Medical	Sub-TOI:	H161.005C Individual - Other
Product Name:	Closed Blocks - Value One, CeltiCare II, CeltiCare 1.0/2.0/2.1, CeltiCare 3.1		
Project Name/Number:	/		

## Rate Review Details

### COMPANY:

Company Name:	Celtic Insurance Company
HHS Issuer Id:	23633
Product Names:	CeltiCare 1.0/2.0/2.1, CeltiCare 3.1, CeltiCare II, ValueOne 1.1
Trend Factors:	

### FORMS:

New Policy Forms:	
Affected Forms:	G5-541-00041, G5-543-00145, G5-544-00156
Other Affected Forms:	

### REQUESTED RATE CHANGE

#### INFORMATION:

Change Period:	Annual
Member Months:	276
Benefit Change:	None
Percent Change Requested:	Min: 8.0 Max: 8.0 Avg: 8.0

#### PRIOR RATE:

Total Earned Premium:	342,181.00
Total Incurred Claims:	226,608.00
Annual \$:	Min: 342,181.00 Max: 342,181.00 Avg: 342,181.00

#### REQUESTED RATE:

Projected Earned Premium:	369,530.00
Projected Incurred Claims:	267,377.00
Annual \$:	Min: 369,530.00 Max: 369,530.00 Avg: 369,530.00

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 Project Name/Number: /

## Supporting Document Schedules

	Item Status:	Status Date:
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**Satisfied - Item:** Filing Cover Sheet

**Comments:**

**Attachment:**

CoverLetter.pdf

	Item Status:	Status Date:
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**Satisfied - Item:** Actuarial Memorandum

**Comments:**

**Attachments:**

CeltiCare 1.0-2.0-2.1 Actuarial Memorandum.pdf

CeltiCare 3.1 Actuarial Memorandum.pdf

CeltiCare II Actuarial Memorandum.pdf

Value One 1.1 Actuarial Memorandum.pdf

California Requirements.pdf

	Item Status:	Status Date:
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**Satisfied - Item:** Document Submission Formset

**Comments:**

**Attachment:**

DSF.pdf

	Item Status:	Status Date:
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**Satisfied - Item:** Health Rate Supplemental Form

**Comments:**

**Attachments:**

California Plain Language - Rate Filing.pdf

California Rate Filing Form.pdf

<i>SERFF Tracking Number:</i>	<i>CELT-127073716</i>	<i>State:</i>	<i>California</i>
<i>Filing Company:</i>	<i>Celtic Insurance Company</i>	<i>State Tracking Number:</i>	<i>PF-2011-00513</i>
<i>Company Tracking Number:</i>	<i>G5-541-00041 ET AL</i>		
<i>TOI:</i>	<i>H16I Individual Health - Major Medical</i>	<i>Sub-TOI:</i>	<i>H16I.005C Individual - Other</i>
<i>Product Name:</i>	<i>Closed Blocks - Value One, CeltiCare II, CeltiCare 1.0/2.0/2.1, CeltiCare 3.1</i>		
<i>Project Name/Number:</i>	<i>/</i>		

		<b>Item Status:</b>	<b>Status Date:</b>
<b>Bypassed - Item:</b>	Third Party Authorization		
<b>Bypass Reason:</b>	N/A		
<b>Comments:</b>			

		<b>Item Status:</b>	<b>Status Date:</b>
<b>Satisfied - Item:</b>	Independent Actuarial Certification		
<b>Comments:</b>			
<b>Attachment:</b>			
Transmittal - Closed - 20110603.pdf			

# CALIFORNIA DEPARTMENT OF INSURANCE

## FILING COVER SHEET

for

## FORMS FILINGS with the POLICY APPROVAL BUREAU

**Reset Form**

(Suggested for use as the cover letter required by Title 10, California Code of Regulations §2205.)

<b>TO:</b> State of California Department of Insurance Policy Approval Bureau 45 Fremont Street San Francisco, CA 94105	<b>FROM: (Official Insurer Name):</b> Celtic Insurance Company  <b>Submitter and Complete Mailing Address:</b>  Daniel Martinez 233 South Wacker Drive, Suite 700 Chicago, IL 60606  <b>Submission Date:</b> 1/31/11
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1. IDENTIFYING FORM NUMBER(S): G5-544-00156, G5-543-00145, G5-541-00041  
 [The form number(s) of one or more of the documents submitted by which the filing can be identified. §2205(a)]

2. DOCUMENT CLASS [The subdivision of 10 CCR §2202(a) which best describes the forms submitted. (§2205(b))]

Generic Description and Definition Citation	Check Below		Generic Description and Definition Citation	Check Below
Health Insurance [Hospital, medical, surgical insurance, expense-incurred or indemnity. §2202(a)(1)]	✓		Credit Life and Disability [§2202(a)(6)]	
Group and Blanket Life and Non-health Disability [(§2202(a)(2))]			Supplemental Life Benefits [§2202(a)(7)]	
Individual Disability, Non-health [§2202(a)(3)]			Variable Life and Annuities [§2202(a)(8)]	
Medicare Supplement [§2202(a)(4)]			Fraternal [Non-health Disability. §2202(a)(9)]	
Long-Term Care [§2202(a)(5)]			Unclassified [§2202(a)(11)]	

\* Describe briefly (documents other than those described above may have to be filed with other Department Bureaus; see §2206):

3. GROUP AND/OR INDIVIDUAL [Are the forms group, individual or used in both contexts? §2205(b)]

Group Only:	✓	Individual Only:		Group and Individual:	
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4. EMPLOYER SIZE (Employer Health Insurance Only) [Where the forms submitted provide health coverage through employment, the minimum and the maximum sizes of the employers in terms of number of employees §2205(c)]

2 to 50 Employees:		Over 50 Employees:		All Employers:	
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5. REPLACES PREVIOUSLY-APPROVED DOCUMENT(S)? [Do any documents replace previously-approved documents. §2205(d)]

6. FINAL PRINT FORM? [List those documents NOT in the final printed form in which they will be issued to insureds §2205(e)]

<u>Document(s)</u>	<u>Document(s)</u>

7. TYPE OF DOCUMENT WITH WHICH IT WILL BE USED [ For each document (such as a rider) which is designed to be used with another document not included in the filing, a statement of the document class with which it is to be used. §2205(f)]

<u>Document Form Number</u>	<u>Document Class (from Item 2, above)</u>

8. Master Policy Form Number and Approval Date: \_\_\_\_\_

[Where a certificate is submitted for use with a previously approved "group" document, the form number and the filing or approval date of the previously approved group document. §2205(g)]

9. IF ABOVE INFORMATION CANNOT BE FURNISHED, EXPLAIN WHY. [If the submitter is unable to furnish the information requested above, explain why. §2205(h)]

10. REMARKS AND ADDITIONAL INFORMATION (Attach additional sheets if necessary):

SUBMITTER'S SIGNATURE AND TITLE: \_\_\_\_\_



Daniel Martinez Contract Analyst, Compliance



**Celtic Insurance Company**  
**Actuarial Rate Memorandum**  
**Form G5-541-00041**  
**CeltiCare 1.0/2.0/2.1**

**CALIFORNIA**

**Scope and Purpose**

This is an informational rate revision filing. The purpose of this filing is to meet requirements outlined in the California statutes and demonstrate that benefits are reasonable in relation to the premium charged. In this filing we are requesting the following rate change:

<u>Effective Date</u>	<u>Rate Increase</u>
April 1, 2011	8.0%

**Description of Benefits**

This product is a Major Medical health policy issued by Celtic Insurance Company. Benefits are only paid for eligible expenses that are Incurred as a result of a Sickness, Bodily Injury, or Complication of Pregnancy. Benefits and eligible expenses are detailed in the policy form.

The major provision of this form are as follows:

Lifetime Maximum:	\$5,000,000 (Except unlimited for essential health benefits as defined by the Patient Protection and Affordable Care Act)
Deductibles:	\$250; \$500; \$1,000; \$2,500; \$5,000
Co-Insurance:	80/20 or 100/0 on first \$5,000 after Deductible

**Coverage Options**

This product offers a choice of two Coverage Options differing in their coinsurance levels: 80/20 and 100/0.

The following options are also available with each Coverage Option:

- 1 & 2) PPO Option: Two PPO options available; the Any Doc and Fully Steered PPO
- 3 & 4) Plus Option 1 or Plus Option 2 (only one can be chosen)
- 5) Term Life Option

### **Limitations and Exclusions**

Limitations and Exclusions are detailed in the policy form.

### **Rate Guarantees**

Rates are guaranteed not to change for the first twelve months of the policy.

### **Renewability**

The certificate is renewable by paying the applicable renewal premiums unless the certificate holder no longer meets the eligibility requirements of the certificate or the company refuses to renew the policy and its certificates in the state.

### **General Marketing Method**

This product was sold through agents, direct mailings, and the internet. Agents are recruited to work with Celtic through a marketing program that uses trade journal advertising, direct mail, trade show participation, direct sales, and endorsed contracts.

### **Issue Age Limits**

In order for an applicant to have been considered for coverage they must be at least 6 months old and under the age of 64 years and 6 months.

### **Applicability**

The rates will apply to renewal business only.

### **Morbidity**

Morbidity was based upon an analysis of completed experience from our other major medical products, which have been sold since 1993, and the Milliman Health Cost Guidelines.

### **Substandard Rate-Ups**

This product utilizes the following types of substandard rate-ups:

Smoker:	7% rate-up
Non-Smoker:	7% rate-down

### **Premium Modalization**

Premiums may be paid in one of three ways: Monthly Electronic Funds Transfer, Monthly Billing (monthly modal factor = 1.000) or Quarterly Billing (quarterly modal factor = 3.000). A billing fee of \$8 per bill will be assessed for Monthly Billing or Quarterly billing. A one-time application fee of \$15 will be required at the time the application is submitted for underwriting.

### **Claim Reserves**

The Claim Reserve will be calculated using a standard Completion Factor method where a Completion Factor is applied to an Incurred and Paid amount to determine the Anticipated Incurred Claim amount. The amount that has already been Incurred and Paid will then be subtracted from the Anticipated Incurred Claim amount to determine the Claim Reserve.

### **Claim Liability Reserve**

The IBNR reserve is derived by taking the Claim Reserve and subtracting the Pending Claim Reserve. The pending claim reserve is based upon inventory and historical payment patterns.

### **Trend Assumption**

Trend assumptions to be used in future adjustment of rates will be based on claims costs of this and similar Celtic policies as well as various indices and published journals concerning health care costs, including the Medical Cost component of the Consumer Price Index, Oliver Wyman's Carrier Trend Report, Buck Consultants' National Health Care Trend Survey and Milliman's Health Cost Index.

### **Experience History and Projections**

The actual and projected experience tables are included in the attached Exhibits One through Three. The information provided in Exhibit One is the nationwide actual experience for inforce business, while the experience for the statewide inforce business is also presented in Exhibit Two.

Please note that all our closed blocks (Adults, Kids, CeltiCare, ValueOne, CelticSaver, HSA 1.0, CeltiCare II, and Elite) experience is being combined to rate all forms due to the small size of each block.

Table One of Exhibit Three provides the actual past statewide experience. Tables Two and Three of Exhibit Three project the statewide experience with and without the proposed rate increases. Tables Four and Five apply credibility theory to determine credible projections by blending the statewide experience with the nationwide experience based on the credibility factor developed in Table One. An explanation of the credibility adjustment is shown at the bottom of Exhibit Three. The assumptions used in the projections are shown on the bottom of Exhibit One and Two. The premium amount for each date shown in Tables Two to Five is the 12-month earned premium shown on Exhibit Two brought up to the current rate manual level with or without the proposed rate increases. The projected claims are obtained by trending the actual incurred claims during the 12-month period forward to the mid-point of the rate guarantee period for the proposed rate increase with additional adjustment being made for the policy renewal lag.

### **Proposed Rate Increase**

The proposed rate increases will be applied to the renewal policies on the next renewal date of each policyholder on or after the respective effective dates. Notification of each rate change will be given at least sixty days prior to the first due date of the revised premium.

The experience of this product is very limited, and is not fully credible. Therefore, the proposed rate increases in this filing are determined by combining the experience with that of all the closed blocks of business. Based on the projected experience shown in Exhibits One, Two, and Three, an increase of 8% will be taken on April 1, 2011.

Various provisions of Health Care Reform are expected to have an immediate impact on claims levels. For the closed blocks, these include restrictions on guaranteed issue (2.1%) and pre-existing conditions limitations on insureds under age 19 (0.4%), new claims appeal and review guidelines (0.5%), coverage of preventive services with no cost sharing (3.0%), extended coverage of dependents to age 26 (0.5%), no lifetime or annual maximums on essential health benefits (0.5%). Some of the regulations clarifying the provisions have not been finalized. We expect the overall impact of these provisions will raise claims by at least 7%. We have added 7% to the projected claims in deriving these requested rate increases.

Subsequent rate increases beginning with effective dates of January 1, 2012 will be filed in the future.

### **Record of Rate Changes**

A record of all nationwide and statewide Trend Factors for this Policy Form can be found on the attached Trend Factor page.

### **Asset Share Assumptions**

Monthly Lapse Rate:

<u>Policy Year</u>	<u>Factor</u>
1	3.1%
2	3.4%
3	3.0%
4	2.7%
5+	2.2%

Discount Rate: 1/1.06

Gender Distribution: 55% Male, 45% Female

Durational Increases:

<u>Policy Duration in months</u>	<u>Increase over New Business</u>
25 - 30	2%
31 - 36	9%
37 - 42	17%
43+	25%

### **Estimated Average Annual Premium Per Policy**

The following is a comparison of estimated average annual premium per policy:

<b>Date</b>	<b>Nationwide</b>	<b>California</b>
Prior to 1/1/11	10,787	13,906
1/1/11 - 3/31/11	11,816	15,018
4/1/11 - 6/30/11	12,367	16,220
7/1/11 - 9/30/11	12,958	16,220
10/1/11 - 12/31/11	13,577	16,220

### **Future Anticipated Loss Ratio**

All relevant factors were projected over a 10-year period using a theoretical initial block size of 1000. The following are the anticipated lifetime loss ratios based on marketing method: This lifetime loss ratio is prior to Health Care Reform.

<u>Marketing Method</u>	<u>Lifetime Loss Ratio</u>
Independent Agents	70%
Endorsed Agents	70%
Internet Sales	70%
Direct Mailings	70%

### **Distribution of Business**

The expected age distribution for this product is as follows:

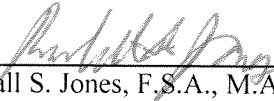
<u>Age</u>	<u>Nation &amp; California</u>
0 - 17	12%
18 - 24	14%
25 - 29	13%
30 - 34	12%
35 - 39	13%
40 - 44	13%
45 - 49	11%
50 - 54	6%
55 - 59	4%
60 - 64	2%

### **Contingency and Profit Margin**

Celtic anticipates a pretax profit margin of 5.5%. In order to properly serve the best interests of our customers, Celtic has always maintained a reasonable Contingency Reserve, which is audited annually by consulting Actuaries.

### Actuarial Certification

I certify that to the best of my knowledge and judgment, the entire rate filing is in compliance with the applicable laws of the State of California and the rules of the Department of Insurance and the proposed premiums are reasonable in relationship to the benefits provided. I further certify that the premium rates for this policy form are reasonably similar to rates for similar benefits found in other similar policy forms statewide for Celtic Insurance Company.

  
\_\_\_\_\_  
Randall S. Jones, F.S.A., M.A.A.A.  
Vice President, Actuary

3/4/11  
Date

**Celtic Insurance Company**  
**CeltiCare 1.0/2.0/2.1 Health Plan**  
**Form G5-541-00041**  
**California**

Medical Base Rates				
Age	CeltiCare 1.0		CeltiCare 2.1	
	Male	Female	Male	Female
0	74.00	74.00	74.00	74.00
1	74.00	74.00	74.00	74.00
2	74.00	74.00	74.00	74.00
3	74.00	74.00	74.00	74.00
4	74.00	74.00	74.00	74.00
5	74.00	74.00	74.00	74.00
6	67.78	67.78	67.78	67.78
7	67.78	67.78	67.78	67.78
8	67.78	67.78	67.78	67.78
9	67.78	67.78	67.78	67.78
10	67.78	67.78	67.78	67.78
11	67.78	67.78	67.78	67.78
12	67.78	67.78	67.78	67.78
13	67.78	67.78	67.78	67.78
14	67.78	67.78	67.78	67.78
15	95.67	95.67	96.17	96.17
16	95.67	95.67	96.17	96.17
17	95.67	95.67	96.17	96.17
18	102.71	102.71	105.40	105.40
19	102.71	102.71	105.40	105.40
20	102.71	102.71	105.40	105.40
21	102.71	102.71	105.40	105.40
22	102.71	102.71	105.40	105.40
23	102.71	102.71	105.40	105.40
24	102.71	102.71	105.40	105.40
25	102.71	102.71	105.40	105.40
26	102.71	102.71	105.40	105.40
27	102.71	102.71	105.40	105.40
28	107.43	107.43	105.57	105.57
29	111.05	111.05	109.13	109.13
30	113.48	113.48	111.53	111.53
31	116.09	116.09	114.27	114.27
32	119.18	119.18	117.40	117.40
33	120.48	120.48	118.87	118.87
34	122.94	122.94	121.49	121.49
35	126.51	126.51	125.23	125.23
36	129.97	129.97	128.87	128.87
37	135.11	135.11	134.09	134.09
38	139.71	139.71	138.65	138.65
39	144.11	144.11	143.26	143.26
40	147.28	147.28	146.67	146.67
41	150.37	150.37	150.02	150.02
42	155.23	155.23	155.01	155.01
43	161.11	161.11	161.03	161.03
44	167.26	167.26	167.47	167.47
45	172.99	172.99	180.32	180.32
46	179.75	179.75	187.54	187.54
47	185.54	185.54	193.95	193.95
48	194.25	194.25	203.25	203.25
49	201.79	201.79	211.35	211.35
50	209.28	209.28	219.63	219.63
51	218.23	218.23	229.14	229.14
52	227.44	227.44	238.85	238.85
53	239.81	239.81	251.89	251.89
54	252.13	252.13	264.88	264.88
55	265.23	265.23	278.76	278.76
56	277.07	277.07	291.37	291.37
57	288.85	288.85	303.90	303.90
58	302.64	302.64	318.57	318.57
59	317.42	317.42	334.30	334.30
60	331.21	331.21	348.98	348.98
61	346.36	346.36	354.48	354.48
62	361.29	361.29	357.28	357.28
63	375.14	375.14	365.74	365.74
64	389.95	389.95	367.92	367.92
65 +	680.72	680.72	674.80	674.80

Dependent Child Rate		
Children	CeltiCare 1.0	CeltiCare 2.1
1	62.29	62.29
2	118.34	124.58
3 +	177.51	186.87

Sub-Standard Rate Ups			
	CC 1.0	CC 2.0	CC 2.1
Non-Smoker / Smoker	-	-	-7% / +7%

Plan Factors				
Coinsurance	Deductible	CC 1.0	CC 2.0	CC 2.1
50/50	250	0.9734	Not offered	Not offered
50/50	500	0.7694	Not offered	Not offered
50/50	1,000	0.6216	Not offered	Not offered
80/20	250	1.3194	1.3194	1.3194
80/20	500	1.0500	1.0500	1.0500
80/20	1,000	0.8949	0.8949	0.8949
80/20	2,500	0.6138	0.6138	0.6138
80/20	5,000	0.4743	0.4743	0.4743
100/0	1,000	1.0319	1.0319	1.0319
100/0	2,500	0.7382	0.7382	0.7382
100/0	5,000	0.5253	0.5253	0.5253

Product Type Factors			
Type	CC 1.0	CC 2.0	CC 2.1
Indemnity	1.28	1.2832	1.2832
Any Doc PPO	1.11	1.1060	1.1060
Fully Steered PPO	1.00	1.0000	1.0000
Plus Option	1.28	1.2832	1.2832

Duration Factors			
Policy Months	CC 1.0	CC 2.0	CC 2.1
0 - 24	1.00	1.00	1.00
25 - 30	1.02	1.02	1.02
31 - 36	1.09	1.09	1.09
37 - 42	1.17	1.17	1.17
43 +	1.25	1.25	1.25

Modal Factors			
Billing Mode	CC 1.0	CC 2.0	CC 2.1
Monthly	1.0	1.0	1.0
Quarterly	3.0	3.0	3.0

Other Fees			
	CC 1.0	CC 2.0	CC 2.1
Billing Fee	\$8.00 per bill	\$8.00 per bill	\$8.00 per bill
One-Time Application Fee	\$15.00	\$15.00	\$15.00



**Celtic Insurance Company**  
**CeltiCare 1.0/2.0/2.1 Health Plan**  
**Form G5-541-00041**  
**California**

Plus Option Base Rates								
Age	Option 1: Preventive Care Healthy Lifestyle Rx Drug Card				Option 2: Preventive Care Healthy Lifestyle			
	CeltiCare 1.0		CeltiCare 2.0/2.1		CeltiCare 1.0		CeltiCare 2.0/2.1	
	Male	Female	Male	Female	Male	Female	Male	Female
0	25.24	25.24	25.68	25.68	16.17	16.17	15.52	15.52
1	25.24	25.24	25.68	25.68	16.17	16.17	15.52	15.52
2	25.24	25.24	25.68	25.68	16.17	16.17	15.52	15.52
3	25.24	25.24	25.68	25.68	16.17	16.17	15.52	15.52
4	25.24	25.24	25.68	25.68	16.17	16.17	15.52	15.52
5	25.24	25.24	25.68	25.68	16.17	16.17	15.52	15.52
6	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
7	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
8	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
9	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
10	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
11	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
12	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
13	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
14	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
15	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
16	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
17	19.54	19.54	19.54	19.54	16.17	16.17	15.52	15.52
18	23.61	23.61	23.94	23.94	16.17	16.17	15.52	15.52
19	23.61	23.61	23.94	23.94	16.17	16.17	15.52	15.52
20	23.61	23.61	23.94	23.94	16.17	16.17	15.52	15.52
21	23.61	23.61	23.94	23.94	16.17	16.17	15.52	15.52
22	23.61	23.61	23.94	23.94	16.17	16.17	15.52	15.52
23	23.61	23.61	23.94	23.94	16.17	16.17	15.52	15.52
24	23.61	23.61	23.94	23.94	16.17	16.17	15.52	15.52
25	27.30	27.30	27.91	27.91	16.17	16.17	15.52	15.52
26	27.30	27.30	27.91	27.91	16.17	16.17	15.52	15.52
27	27.30	27.30	27.91	27.91	16.17	16.17	15.52	15.52
28	27.30	27.30	27.91	27.91	16.17	16.17	15.52	15.52
29	27.30	27.30	27.91	27.91	16.17	16.17	15.52	15.52
30	29.08	29.08	29.83	29.83	16.17	16.17	15.52	15.52
31	29.08	29.08	29.83	29.83	16.17	16.17	15.52	15.52
32	29.08	29.08	29.83	29.83	16.17	16.17	15.52	15.52
33	29.08	29.08	29.83	29.83	16.17	16.17	15.52	15.52
34	29.08	29.08	29.83	29.83	16.17	16.17	15.52	15.52
35	32.27	32.27	33.26	33.26	16.17	16.17	15.52	15.52
36	32.27	32.27	33.26	33.26	16.17	16.17	15.52	15.52
37	32.27	32.27	33.26	33.26	16.17	16.17	15.52	15.52
38	32.27	32.27	33.26	33.26	16.17	16.17	15.52	15.52
39	32.27	32.27	33.26	33.26	16.17	16.17	15.52	15.52
40	35.20	35.20	36.41	36.41	16.17	16.17	15.52	15.52
41	35.20	35.20	36.41	36.41	16.17	16.17	15.52	15.52
42	35.20	35.20	36.41	36.41	16.17	16.17	15.52	15.52
43	35.20	35.20	36.41	36.41	16.17	16.17	15.52	15.52
44	35.20	35.20	36.41	36.41	16.17	16.17	15.52	15.52
45	39.89	39.89	41.47	41.47	16.17	16.17	15.52	15.52
46	39.89	39.89	41.47	41.47	16.17	16.17	15.52	15.52
47	39.89	39.89	41.47	41.47	16.17	16.17	15.52	15.52
48	39.89	39.89	41.47	41.47	16.17	16.17	15.52	15.52
49	39.89	39.89	41.47	41.47	16.17	16.17	15.52	15.52
50	46.12	46.12	48.19	48.19	16.17	16.17	15.52	15.52
51	46.12	46.12	48.19	48.19	16.17	16.17	15.52	15.52
52	46.12	46.12	48.19	48.19	16.17	16.17	15.52	15.52
53	46.12	46.12	48.19	48.19	16.17	16.17	15.52	15.52
54	46.12	46.12	48.19	48.19	16.17	16.17	15.52	15.52
55	58.71	58.71	61.77	61.77	16.17	16.17	15.52	15.52
56	58.71	58.71	61.77	61.77	16.17	16.17	15.52	15.52
57	58.71	58.71	61.77	61.77	16.17	16.17	15.52	15.52
58	58.71	58.71	61.77	61.77	16.17	16.17	15.52	15.52
59	58.71	58.71	61.77	61.77	16.17	16.17	15.52	15.52
60	75.38	75.38	79.73	79.73	16.17	16.17	15.52	15.52
61	75.38	75.38	79.73	79.73	16.17	16.17	15.52	15.52
62	75.38	75.38	79.73	79.73	16.17	16.17	15.52	15.52
63	75.38	75.38	79.73	79.73	16.17	16.17	15.52	15.52
64	75.38	75.38	79.73	79.73	16.17	16.17	15.52	15.52
65 +	128.46	128.46	136.93	136.93	16.17	16.17	15.52	15.52
Dependent Child Rate								
Children	CeltiCare 1.0		CeltiCare 2.0/2.1		CeltiCare 1.0		CeltiCare 2.0/2.1	
1	17.66		22.60		13.31		16.25	
2	33.55		45.20		25.30		32.50	
3 +	50.34		67.80		37.94		148.75	

**Medical Premium =**  
(Medical Base Rate) x (Plan Factor)  
x (Product Type Factor) x (Trend Factor\*)  
x (1 + Smoker Factor) x (Area Factor\*\*)  
x (Duration Factor)

**Plus Option Premium =**  
(Plus Option Base Rate) x (Product Type Factor)  
x (Trend Factor\*) x (Area Factor\*\*) x (Duration Factor)

**Total Rate =**  
[Medical Premium + Plus Option Premium  
+ Term Life Premium] x (Modal Factor) + (Billing Fee)

\* see attached Trend Factor page

\*\* see attached Area Factor page

Term Life Premium per \$1,000 of Coverage	
Age	Premium
0 - 4	0.30
5 - 17	0.20
18 - 29	0.28
30 - 34	0.32
35 - 39	0.44
40 - 44	0.64
45 - 49	0.92
50 - 54	1.36
55 - 59	2.00
60 - 64	2.96
65 - 69	4.64
70 - 74	7.24
75 - 79	11.76
80 - 84	18.32
85 - 89	28.08
90 - 94	39.88
95 - 99	73.20

**Celtic Insurance Company**  
**Form G5-541-00041**  
**CeltiCare 1.0/2.0/2.1 Health Plan**

**California Area Factors**

3-Digit ZIP Code	CeltiCare 1.0 Area Factors				CeltiCare 2.0/2.1 Area Factors			
	Indemnity	Any Doc PPO	Fully Steered PPO	Plus Option	Indemnity	Any Doc PPO	Fully Steered PPO	Plus Option
900	1.92000	1.72900	1.72900	1.92000	1.94176	1.75401	1.78649	1.94176
901	1.90000	1.72900	1.72900	1.90000	1.92154	1.75401	1.78649	1.92154
902	1.92000	1.72900	1.72900	1.92000	1.94176	1.75401	1.78649	1.94176
903	1.82000	1.64300	1.64300	1.82000	1.84063	1.66677	1.69763	1.84063
904	1.82000	1.64300	1.64300	1.82000	1.84063	1.66677	1.69763	1.84063
905	1.82000	1.64300	1.64300	1.82000	1.84063	1.66677	1.69763	1.84063
906	1.82000	1.65300	1.65300	1.82000	1.84063	1.67691	1.70797	1.84063
907	1.72000	1.56700	1.56700	1.72000	1.73950	1.58967	1.61911	1.73950
908	1.73000	1.56700	1.56700	1.73000	1.74961	1.58967	1.61911	1.74961
909	1.58000	1.42500	1.42500	1.58000	1.59791	1.44561	1.47238	1.59791
910	1.58000	1.42500	1.42500	1.58000	1.59791	1.44561	1.47238	1.59791
911	1.73000	1.55800	1.55800	1.73000	1.74961	1.58054	1.60981	1.74961
912	1.57000	1.42500	1.42500	1.57000	1.58780	1.44561	1.47238	1.58780
913	1.57000	1.42500	1.42500	1.57000	1.58780	1.44561	1.47238	1.58780
914	1.74000	1.56700	1.56700	1.74000	1.75972	1.58967	1.61911	1.75972
915	1.72000	1.56700	1.56700	1.72000	1.73950	1.58967	1.61911	1.73950
916	1.74000	1.56700	1.56700	1.74000	1.75972	1.58967	1.61911	1.75972
917	1.42000	1.29200	1.29200	1.42000	1.43610	1.31069	1.33496	1.43610
918	1.50000	1.34900	1.34900	1.50000	1.51700	1.36851	1.39386	1.51700
919	1.12000	1.01600	1.01600	1.12000	1.13270	1.03070	1.04978	1.13270
920	1.24000	1.11200	1.11200	1.24000	1.25406	1.12809	1.14898	1.25406
921	1.24000	1.11200	1.11200	1.24000	1.25406	1.12809	1.14898	1.25406
922	1.18000	1.06400	1.06400	1.18000	1.19338	1.07939	1.09938	1.19338
923	1.18000	1.06400	1.06400	1.18000	1.19338	1.07939	1.09938	1.19338
924	1.17000	1.06400	1.06400	1.17000	1.18326	1.07939	1.09938	1.18326
925	1.35000	1.23500	1.23500	1.35000	1.36530	1.25287	1.27607	1.36530
926	1.50000	1.35900	1.35900	1.50000	1.51700	1.37866	1.40419	1.51700
927	1.50000	1.35900	1.35900	1.50000	1.51700	1.37866	1.40419	1.51700
928	1.50000	1.35900	1.35900	1.50000	1.51700	1.37866	1.40419	1.51700
929	1.50000	1.35900	1.35900	1.50000	1.51700	1.37866	1.40419	1.51700
930	1.27000	1.15900	1.15900	1.27000	1.28440	1.17577	1.19754	1.28440
931	1.23000	1.11200	1.11200	1.23000	1.24394	1.12809	1.14898	1.24394
932	0.97000	0.87400	0.87400	0.97000	0.98099	0.88664	0.90306	0.98099
933	1.12000	1.01600	1.01600	1.12000	1.13270	1.03070	1.04978	1.13270
934	1.24000	1.11200	1.11200	1.24000	1.25406	1.12809	1.14898	1.25406
935	0.96000	0.87400	0.87400	0.96000	0.97088	0.88664	0.90306	0.97088
936	0.97000	0.87400	0.87400	0.97000	0.98099	0.88664	0.90306	0.98099
937	0.97000	0.87400	0.87400	0.97000	0.98099	0.88664	0.90306	0.98099
938	1.12000	1.00700	1.00700	1.12000	1.13270	1.02157	1.04049	1.13270
939	1.23000	1.11200	1.11200	1.23000	1.24394	1.12809	1.14898	1.24394
940	1.36000	1.23500	1.23500	1.36000	1.37542	1.25287	1.27607	1.37542
941	1.57000	1.42500	1.42500	1.57000	1.58780	1.44561	1.47238	1.58780
942	1.36000	1.22500	1.22500	1.36000	1.37542	1.24272	1.26573	1.37542
943	1.36000	1.22500	1.22500	1.36000	1.37542	1.24272	1.26573	1.37542
944	1.23000	1.12100	1.12100	1.23000	1.24394	1.13722	1.15828	1.24394
945	1.36000	1.22500	1.22500	1.36000	1.37542	1.24272	1.26573	1.37542
946	1.49000	1.34900	1.34900	1.49000	1.50689	1.36851	1.39386	1.50689
947	1.50000	1.34900	1.34900	1.50000	1.51700	1.36851	1.39386	1.51700
948	1.30000	1.17800	1.17800	1.30000	1.31474	1.19504	1.21717	1.31474
949	1.36000	1.23500	1.23500	1.36000	1.37542	1.25287	1.27607	1.37542
950	1.23000	1.12100	1.12100	1.23000	1.24394	1.13722	1.15828	1.24394
951	1.29000	1.16800	1.16800	1.29000	1.30462	1.18490	1.20684	1.30462

**Celtic Insurance Company**  
**CeltiCare 1.0/2.0/2.1 Health Plan**  
**Form G5-541-00041**  
**California**

**CeltiCare 1.0 Trend Factors**

Date of Increase	Statewide Rate Increase	Statewide Cum. Factor	Nationwide Rate Increase	Nationwide Cum. Factor
4/1/98	Initial	1.0000	Initial	1.0000
7/1/98	-	1.0000	-	1.0000
10/1/98	3.0%	1.0300	3.0%	1.0300
1/1/99	6.0%	1.0918	6.0%	1.0918
4/1/99	3.0%	1.1246	3.0%	1.1246
7/1/99	-	1.1246	-	1.1246
10/1/99	2.0%	1.1470	2.0%	1.1470
1/1/00	6.0%	1.2159	6.0%	1.2159
4/1/00	3.0%	1.2523	3.0%	1.2523
7/1/00	7.5%	1.3463	7.5%	1.3463
10/1/00	10.0%	1.4809	10.0%	1.4809
1/1/01	4.0%	1.5401	4.0%	1.5401
4/1/01	-	1.5401	-	1.5401
7/1/01	-15.0%	1.3091	-	1.5401
10/1/01	3.0%	1.3484	3.0%	1.5863
1/1/02	-	1.3484	3.0%	1.6339
4/1/02	4.0%	1.4023	4.0%	1.6993
7/1/02	4.0%	1.4584	4.0%	1.7673
10/1/02	-	1.4584	-	1.7673
1/1/03	7.0%	1.5605	7.0%	1.8910
4/1/03	4.0%	1.6229	4.0%	1.9666
7/1/03	4.0%	1.6878	4.0%	2.0453
10/1/03	4.0%	1.7554	4.0%	2.1271
1/1/04	4.0%	1.8256	4.0%	2.2122
4/1/04	4.0%	1.8986	4.0%	2.3006
7/1/04	-	1.8986	4.0%	2.3927
10/1/04	4.0%	1.9745	10.0%	2.6319
1/1/05	14.0%	2.2510	14.0%	3.0004
4/1/05	14.0%	2.5661	14.0%	3.4205
7/1/05	7.0%	2.7457	7.0%	3.6599
10/1/05	-	2.7457	-	3.6599
1/1/06	3.0%	2.8281	3.0%	3.7697
4/1/06	3.0%	2.9129	3.0%	3.8828
7/1/06	3.0%	3.0003	3.0%	3.9993
10/1/06	3.0%	3.0903	3.0%	4.1192
1/1/07	3.0%	3.1831	3.0%	4.2428
4/1/07	3.0%	3.2785	3.0%	4.3701
7/1/07	8.0%	3.5408	8.0%	4.7197
10/1/07	8.0%	3.8241	8.0%	5.0973
1/1/08	5.0%	4.0153	5.0%	5.3522
4/1/08	5.0%	4.2161	5.0%	5.6198
7/1/08	3.0%	4.3426	3.0%	5.7884
10/1/08	5.0%	4.5597	5.0%	6.0778
1/1/09	3.0%	4.6965	3.0%	6.2601
4/1/09	3.0%	4.8374	3.0%	6.4479
7/1/09	3.0%	4.9825	3.0%	6.6414
10/1/09	3.0%	5.1320	3.0%	6.8406
1/1/10	6.0%	5.4399	6.0%	7.2510
4/1/10	6.0%	5.7663	6.0%	7.6861
7/1/10	8.0%	6.2276	8.0%	8.3010
10/1/10	5.0%	6.5389	5.0%	8.7160
1/1/11	8.0%	7.0621	8.0%	9.4133
4/1/11	8.0%	7.6270	4.0%	9.7898
7/1/11	-	7.6270	6.0%	10.3772
10/1/11	-	7.6270	6.0%	10.9999

**CeltiCare 2.0/2.1 Trend Factors**

Date of Increase	Statewide Rate Increase	Statewide Cum. Factor	Nationwide Rate Increase	Nationwide Cum. Factor
4/1/00	Initial	1.2523	Initial	1.2523
7/1/00	3.0%	1.2899	3.0%	1.2899
10/1/00	3.0%	1.3286	3.0%	1.3286
1/1/01	4.0%	1.3818	4.0%	1.3818
4/1/01	-	1.3818	-	1.3818
7/1/01	-15.0%	1.1745	-	1.3818
10/1/01	3.0%	1.2097	3.0%	1.4232
1/1/02	3.9%	1.2567	7.0%	1.5228
4/1/02	4.0%	1.3070	4.0%	1.5837
7/1/02	4.0%	1.3593	4.0%	1.6471
10/1/02	-	1.3593	-	1.6471
1/1/03	7.0%	1.4544	7.0%	1.7624
4/1/03	4.0%	1.5126	4.0%	1.8329
7/1/03	4.0%	1.5731	4.0%	1.9062
10/1/03	4.0%	1.6360	4.0%	1.9825
1/1/04	4.0%	1.7014	4.0%	2.0618
4/1/04	4.0%	1.7695	4.0%	2.1442
7/1/04	-	1.7695	4.0%	2.2300
10/1/04	4.0%	1.8403	10.0%	2.4530
1/1/05	14.0%	2.0979	14.0%	2.7964
4/1/05	14.0%	2.3916	14.0%	3.1879
7/1/05	7.0%	2.5590	7.0%	3.4111
10/1/05	-	2.5590	-	3.4111
1/1/06	3.0%	2.6358	3.0%	3.5134
4/1/06	3.0%	2.7149	3.0%	3.6188
7/1/06	3.0%	2.7963	3.0%	3.7274
10/1/06	3.0%	2.8802	3.0%	3.8392
1/1/07	3.0%	2.9666	3.0%	3.9544
4/1/07	3.0%	3.0556	3.0%	4.0730
7/1/07	8.0%	3.3001	8.0%	4.3988
10/1/07	8.0%	3.5641	8.0%	4.7507
1/1/08	5.0%	3.7423	5.0%	4.9883
4/1/08	5.0%	3.9294	5.0%	5.2377
7/1/08	3.0%	4.0473	3.0%	5.3948
10/1/08	5.0%	4.2497	5.0%	5.6645
1/1/09	3.0%	4.3771	3.0%	5.8345
4/1/09	3.0%	4.5085	3.0%	6.0095
7/1/09	3.0%	4.6437	3.0%	6.1898
10/1/09	3.0%	4.7830	3.0%	6.3755
1/1/10	6.0%	5.0700	6.0%	6.7580
4/1/10	6.0%	5.3742	6.0%	7.1635
7/1/10	8.0%	5.8041	8.0%	7.7366
10/1/10	5.0%	6.0944	5.0%	8.1234
1/1/11	8.0%	6.5819	8.0%	8.7733
4/1/11	8.0%	7.1085	4.0%	9.1242
7/1/11	-	7.1085	6.0%	9.6717
10/1/11	-	7.1085	6.0%	10.2520

## Exhibit One

**Celtic Insurance Company**  
**Form G5-541-00041**  
**CeltiCare 1.0/2.0/2.1 Health Plan**  
**Nationwide Experience Analysis**

**Current Nationwide All Closed Blocks of Business Inforce (12/2010):** 3,068

**Actual Premium and Claims Experience All Closed Blocks of Business Combined:**  
*(Inforce Business Only)*

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	21,164	8,245,774	8,311,617	100.8%	72.5%
2006	24,720	10,292,445	11,374,458	110.5%	73.3%
2007	29,134	12,601,201	11,678,025	92.7%	73.6%
2008	34,769	16,061,049	13,327,531	83.0%	73.8%
2009	36,595	18,789,146	17,523,007	93.3%	75.0%
2010	27,645	16,019,444	12,041,708	75.2%	75.7%
Total	174,029	82,009,058	74,256,346	90.5%	74.2%

**12-Month Experience (200910 - 201009) for All Closed Blocks of Business**  
*(Inforce Business Only)*

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual/Proj Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	21,163,653	16,630,786	78.6%	75.5%
201010 - 201003	Projected	26,395,021	20,479,140	77.6%	75.6%

**Assumptions:**

Annual Claim Cost Trend: 11.5%  
Annual Discount Rate: 6.0%  
Valuation Date: 12/31/2010  
Proposed Nationwide Rate Increase:

April 1, 2011: 4.0%  
July 1, 2011: 6.0%  
October 1, 2011: 6.0%  
Health Care Reform Impact on Claims: 7.0%

**NOTES:**

- a) Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- b) 2010 Actual entries include 9 months of actual experience.

## Exhibit Two

### Celtic Insurance Company Form G5-541-00041 CeltiCare 1.0/2.0/2.1 Health Plan

### California Experience Analysis

**Current California All Closed Blocks Combined Inforce (12/2010):**

26

**Actual Premium and Claims Experience All Closed Blocks of Business Combined:**  
(Inforce Business Only)

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	154	98,973	174,507	176.3%	75.2%
2006	170	118,787	161,942	136.3%	76.4%
2007	221	138,811	91,372	65.8%	75.5%
2008	297	194,063	75,275	38.8%	74.5%
2009	324	233,672	279,475	119.6%	76.0%
2010	243	176,648	122,389	69.3%	76.5%
Total	1,409	960,954	904,960	94.2%	75.7%

**12-Month Experience (200910 - 201009) for All Closed Blocks of Business Combined:**  
(Inforce Business Only)

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual/Proj Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	260,821	180,961	69.4%	72.0%
201010 - 201003	Projected	341,861	220,524	64.5%	72.0%

**Assumptions:**

Annual Claim Cost Trend: 11.5%  
Annual Discount Rate: 6.0%  
Valuation Date: 12/31/2010  
Proposed California Rate Increase:

April 1, 2011: 8.0%  
July 1, 2011: 0.0%  
October 1, 2011: 0.0%  
Health Care Reform Impact on Claims: 7.0%

**NOTES:**

- a) Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- b) 2010 Actual entries include 9 months of actual experience.
- c) For 12-Month Experience Incurred Claims, claims above \$50,000 are pooled Nationwide

### Exhibit Three

#### Celtic Insurance Company Form G5-541-00041 CeltiCare 1.0/2.0/2.1 Health Plan

#### California Experience Analysis and Projections

**Table One: Statewide and Nationwide Inforce Policyholders and Credibility Factor**

	(A) All Closed Blocks of Business Inforce (12/2010)	(B) All Closed Blocks of Business EP (200910-201009)	(C) Credibility Threshold	$\min[1, (B)/(C)]$ Credibility Factor*
<b>California</b>	26	260,821	3,000,000	9%
<b>Nationwide</b>	3,068	21,163,653		

\* adjustment calculation for credibility factor is explained below.

**Table Two: Future Projections at Current Statewide Volumes and Rates as of the End of 2010**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	342,181	342,181	342,181	342,181	342,181
Projected Claims:	226,608	232,710	238,980	245,423	235,930
Actual LR:	66.2%	68.0%	69.8%	71.7%	68.9%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.919	0.944	0.970	0.996	0.957

**Table Three: Future Projections at Current Statewide Volumes and Proposed Rates for 2011**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	369,530	369,530	369,530	369,530	369,530
Projected Claims:	226,608	232,710	238,980	245,423	235,930
Actual LR:	61.3%	63.0%	64.7%	66.4%	63.8%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.851	0.874	0.898	1.055	0.886

**Table Four: Future Credible Projections at Current Statewide Volumes and Rates as of the End of 2010**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	342,181	342,181	342,181	342,181	342,181
Projected Claims:	256,812	263,727	270,833	278,135	267,377
Actual LR:	75.1%	77.1%	79.1%	81.3%	78.1%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	1.042	1.070	1.099	1.129	1.085

\* adjustment calculation for credibility factor is explained below.

**Table Five: Future Credible Projections at Current Statewide Volumes and Proposed Rates for 2011**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	369,530	369,530	369,530	369,530	369,530
Projected Claims:	256,812	263,727	270,833	278,135	267,377
Actual LR:	69.5%	71.4%	73.3%	75.3%	72.4%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.965	0.991	1.018	1.045	1.005

\* adjustment calculation for credibility factor is explained below.

#### **Assumptions:**

See assumptions in Exhibit One.

#### **Credibility Adjusted Benefit Calculation**

The projected benefits shown in Tables Four and Five above are calculated based on the following method:

Z = credibility factor calculated in Table One

Ca = Statewide Projected Claims from Table Two

Na = Nationwide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Ne = Nationwide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Sa = Statewide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Se = Statewide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Credibility Adjusted Benefits =  $Z \cdot Ca + (1-Z) \cdot (Na/Ne) / (Sa/Se) \cdot Ca$

**Celtic Insurance Company  
Actuarial Rate Memorandum  
Form G5-543-00145  
CeltiCare 3.1**

**CALIFORNIA**

**Scope and Purpose**

This is an informational rate revision filing. The purpose of this filing is to meet requirements outlined in the California statutes and demonstrate that benefits are reasonable in relation to the premium charged. In this filing we are requesting the following rate change:

<u>Effective Date</u>	<u>Rate Increase</u>
April 1, 2011	8.0%

**Description of Benefits**

This product is a Major Medical health policy issued by Celtic Insurance Company. Benefits are only paid for eligible expenses that are Incurred as a result of a Sickness, Bodily Injury, or Complication of Pregnancy. Benefits and eligible expenses are detailed in the policy form.

The major provision of this form are as follows:

Lifetime Maximum:	\$5,000,000 (except unlimited for essential health benefits as defined by the Patient Protection and Affordable Care Act)
Deductibles:	\$250; \$500; \$1,000; \$1,500; \$2,000; \$2,500; \$3,000; \$3,500; \$5,000; \$6,000; \$10,000
Co-Insurance:	70/30, 80/20 or 100/0 on first \$5,000 or \$10,000 after deductible
MSA Products	\$2,500 deductible, 100/0 coinsurance

**Coverage Options**

This product offers a choice of 3 Coverage Options differing in their coinsurance levels: 70/30, 80/20 and 100/0.

The following options are also available with each Coverage Option:

- 1) PPO Option: Two PPO options available; the Any Doc and Fully Steered PPO
- 2) Plus Option
- 3) Term Life Option

### **Limitations and Exclusions**

Limitations and Exclusions are detailed in the policy form.

### **Rate Guarantees**

Rates are guaranteed not to change for the first twelve months of the policy.

### **Renewability**

The certificate is renewable by paying the applicable renewal premiums unless the certificate holder no longer meets the eligibility requirements of the certificate or the company refuses to renew the policy and its certificates in the state.

### **General Marketing Method**

This product was sold through agents, direct mailings, and the internet. Agents are recruited to work with Celtic through a marketing program that uses trade journal advertising, direct mail, trade show participation, direct sales, and endorsed contracts.

### **Issue Age Limits**

In order for an applicant to have been considered for coverage they must be at least 6 months old and under the age of 64 years and 6 months.

### **Applicability**

The rates will apply to renewal business only.

### **Morbidity**

Morbidity was based upon an analysis of completed experience from our other major medical products, which have been sold since 1993, and the Milliman Health Cost Guidelines.

### **Substandard Rate-Ups**

This product utilizes the following types of substandard rate-ups:

Smoker:	7% rate-up
Non-Smoker:	7% rate-down
Medical:	rate-ups vary by condition and range from -10% to 100%
Child Medical (Outside Enrollment):	rate-ups vary by condition and range from -10% to 400%
Occupation/Avocation:	rate-ups vary by occupation/avocation and range from 0% to 100%

In addition, the rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.



### **Premium Modalization**

Premiums may be paid in one of three ways: Monthly Electronic Funds Transfer, Monthly Billing (monthly modal factor = 1.000) or Quarterly Billing (quarterly modal factor = 3.000). A billing fee of \$8 per bill will be assessed for Monthly Billing or Quarterly billing. A one-time application fee of \$25 will be required at the time the application is submitted for underwriting.

### **Claim Reserves**

The Claim Reserve will be calculated using a standard Completion Factor method where a Completion Factor is applied to an Incurred and Paid amount to determine the Anticipated Incurred Claim amount. The amount that has already been Incurred and Paid will then be subtracted from the Anticipated Incurred Claim amount to determine the Claim Reserve.

### **Claim Liability Reserve**

The IBNR reserve is derived by taking the Claim Reserve and subtracting the Pending Claim Reserve. The pending claim reserve is based upon inventory and historical payment patterns.

### **Trend Assumption**

Trend assumptions to be used in future adjustment of rates will be based on claims costs of this and similar Celtic policies as well as various indices and published journals concerning health care costs, including the Medical Cost component of the Consumer Price Index, Oliver Wyman's Carrier Trend Report, Buck Consultants' National Health Care Trend Survey and Milliman & Robertson's Health Cost Index.

### **Experience History and Projections**

The actual and projected experience tables are included in the attached Exhibits One through Three. The information provided in Exhibit One is the nationwide actual experience for inforce business, while the experience for the statewide inforce business is also presented in Exhibit Two. Please note that all our closed blocks (Adults, Kids, CeltiCare, ValueOne, CelticSaver, HSA 1.0, CeltiCare II, and Elite) experience is being combined to rate all forms due to the small size of each block.

Table One of Exhibit Three provides actual past statewide experience. Tables Two and Three of Exhibit Three project the statewide experience with and without the proposed rate increases. Tables Four and Five apply credibility theory to determine credible projections by blending the statewide experience with the nationwide experience based on the credibility factor developed in Table One. An explanation of the credibility adjustment is shown at the bottom of Exhibit Three. The assumptions used in the projections are shown on the bottom of Exhibit One and Two. The premium amount for each date shown in Tables Two to Five is the 12-month earned premium shown on Exhibit Two brought up to the current rate manual level with or without the proposed rate increases. The projected claims are obtained by trending the actual incurred claims during the 12-month period forward to the mid-point of the rate guarantee period for the proposed rate increase with additional adjustment being made for the policy renewal lag.

### **Proposed Rate Increase**

The proposed rate increases will be applied to the renewal policies on the next renewal date of each policyholder on or after the respective effective dates. Notification of each rate change will be given at least thirty days prior to the first due date of the revised premium.

The experience of this product is very limited, and is not fully credible. Therefore, the proposed rate increases in this filing are determined by combining the experience with that of all the closed blocks of business. Based on the projected experience shown in Exhibits One, Two, and Three, an increase of 8% will be taken on April 1, 2011.

Various provisions of Health Care Reform are expected to have an immediate impact on claims levels. For the closed blocks, these include restrictions on guaranteed issue (2.1%) and pre-existing conditions limitations on insureds under age 19 (0.4%), new claims appeal and review guidelines (0.5%), coverage of preventive services with no cost sharing (3.0%), extended coverage of dependents to age 26 (0.5%), no lifetime or annual maximums on essential health benefits (0.5%). Some of the regulations clarifying the provisions have not been finalized. We expect the overall impact of these provisions will raise claims by at least 7%. We have added 7% to the projected claims in deriving these requested rate increases.

Subsequent rate increases beginning with effective dates of January 1, 2012 will be filed in the future.

### **Record of Rate Changes**

A record of all nationwide and statewide Trend Factors for this Policy Form can be found on the attached Trend Factor page.

### **Asset Share Assumptions**

Monthly Lapse Rate:

<u>Policy Year</u>	<u>Factor</u>
1	3.9%
2	3.5%
3	3.0%
4	2.8%
5+	2.0%

Discount Rate: 1/1.02

Gender Distribution: 50% Male, 50% Female

Durational Increases:

<u>Policy Duration in months</u>	<u>Increase over New Business</u>
25 - 30	2%
31 - 36	9%
37 - 42	17%
43+	25%

### **Estimated Average Annual Premium Per Policy**

The following is a comparison of estimated average annual premium per policy:

<b>Date</b>	<b>Nationwide</b>	<b>California</b>
Prior to 1/1/11	5,626	9,145
1/1/11 - 3/31/11	6,117	9,876
4/1/11 - 6/30/11	6,426	10,666
7/1/11 - 9/30/11	6,725	10,666
10/1/11 - 12/31/11	7,038	10,666

### **Future Anticipated Loss Ratio**

All relevant factors were projected over a 10-year period using a theoretical initial block size of 1000. The anticipated lifetime loss ratio for this product is 70% prior to Health Care Reform.

### **Distribution of Business**

The expected age distribution for this product is as follows:

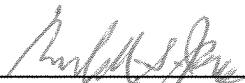
<u>Age</u>	<u>Nation &amp; California</u>
0 - 4	3%
5 - 9	3%
10 - 14	3%
15 - 19	3%
20 - 24	12%
25 - 29	14%
30 - 34	14%
35 - 39	15%
40 - 44	15%
45 - 49	13%
50 - 54	3%
55 - 59	1%
60 - 64	1%

### **Contingency and Profit Margin**

Celtic anticipates a pretax profit margin of 5.5%. In order to properly serve the best interests of our customers, Celtic has always maintained a reasonable Contingency Reserve, which is audited annually by consulting Actuaries.

### Actuarial Certification

I certify that to the best of my knowledge and judgment, the entire rate filing is in compliance with the applicable laws of the State of California and the rules of the Department of Insurance and the proposed premiums are reasonable in relationship to the benefits provided. I further certify that the premium rates for this policy form are reasonably similar to rates for similar benefits found in other similar policy forms statewide for Celtic Insurance Company.

  
\_\_\_\_\_  
Randall S. Jones, F.S.A., M.A.A.A.  
Vice President, Actuary

3/4/11  
Date

**Celtic Insurance Company**  
**CeltiCare 3.1 Health Plan**  
**Form G5-543-00145**  
**California**

Medical Base Rates		
CeltiCare 3.1		
Age	Male	Female
0	75.48	75.48
1	75.48	75.48
2	75.48	75.48
3	75.48	75.48
4	75.48	75.48
5	69.14	69.14
6	69.14	69.14
7	69.14	69.14
8	69.14	69.14
9	69.14	69.14
10	69.14	69.14
11	69.14	69.14
12	69.14	69.14
13	69.14	69.14
14	69.14	69.14
15	87.65	87.65
16	87.65	87.65
17	87.65	87.65
18	88.61	88.61
19	89.60	89.60
20	91.72	91.72
21	92.10	92.10
22	92.48	92.48
23	92.87	92.87
24	93.25	93.25
25	94.55	94.55
26	95.89	95.89
27	97.26	97.26
28	101.19	101.19
29	106.78	106.78
30	114.07	114.07
31	116.39	116.39
32	119.16	119.16
33	121.54	121.54
34	124.01	124.01
35	127.48	127.48
36	130.86	130.86
37	135.74	135.74
38	140.36	140.36
39	144.57	144.57
40	148.90	148.90
41	153.38	153.38
42	158.73	158.73
43	164.80	164.80
44	170.91	170.91
45	177.08	177.08
46	183.96	183.96
47	190.13	190.13
48	198.95	198.95
49	206.65	206.65
50	218.59	218.59
51	233.28	233.28
52	249.02	249.02
53	267.48	267.48
54	286.72	286.72
55	300.66	300.66
56	314.37	314.37
57	328.36	328.36
58	343.95	343.95
59	360.65	360.65
60	376.25	376.25
61	393.42	393.42
62	410.30	410.30
63	426.71	426.71
64	444.00	444.00
65 +	821.40	821.40
Dependent Child Rate		
Per Child; up to 3	62.29	62.29

Sub-Standard Rate Ups			
Non-Smoker / Smoker			-7% / +7%
Occupational			0% to 100%
Medical			-10% to 100%
Child Medical (Outside Enrollment)			-10% to 400%
Plan Factors			
Coinurance	Deductible	Stop Loss	Factor
80/20	250	5,000	1.3194
80/20	500	5,000	1.0500
80/20	1,000	5,000	0.9149
80/20	1,500	5,000	0.7835
80/20	2,000	5,000	0.6752
80/20	2,500	5,000	0.6138
80/20	3,000	5,000	0.5708
80/20	3,500	5,000	0.5316
80/20	5,000	5,000	0.4743
80/20	6,000	5,000	0.4260
80/20	10,000	5,000	0.3846
70/30	1,000	10,000	0.8257
70/30	1,500	10,000	0.7071
70/30	2,000	10,000	0.6094
70/30	2,500	10,000	0.5540
70/30	3,000	10,000	0.5151
70/30	3,500	10,000	0.4836
70/30	5,000	10,000	0.4281
70/30	6,000	10,000	0.3986
70/30	10,000	10,000	0.3502
80/20	1,000	10,000	0.8692
80/20	1,500	10,000	0.7443
80/20	2,000	10,000	0.6414
80/20	2,500	10,000	0.5831
80/20	3,000	10,000	0.5423
80/20	3,500	10,000	0.5091
80/20	5,000	10,000	0.4506
80/20	6,000	10,000	0.4196
80/20	10,000	10,000	0.3686
100/0	1,000	N/A	1.0519
100/0	1,500	N/A	0.9402
100/0	2,000	N/A	0.8102
100/0	2,500	N/A	0.7600
100/0	3,000	N/A	0.6549
100/0	3,500	N/A	0.5954
100/0	5,000	N/A	0.5253
100/0	6,000	N/A	0.4601
100/0	10,000	N/A	0.4000

Product Type Factors	
Type	Factor
Indemnity	1.3316
Any Doc PPO	1.0870
Fully Steered PPO	1.0000
Plus Option	1.3316

Modal Factors	
Billing Mode	Factor
Monthly	1.0
Quarterly	3.0

Duration Factors	
Policy Months	Factor
0 - 24	1.00
25 - 30	1.02
31 - 36	1.09
37 - 42	1.17
43 +	1.25

Other Fees	
	CC 3.1
Billing Fee	\$8.00 per bill
One-Time Application Fee	\$25.00

The rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.

**Celtic Insurance Company**  
**CeltiCare 3.1 Health Plan**  
**Form G5-543-00145**  
**California**

Plus Option Base Rates		
CeltiCare 3.1		
Age	Male	Female
0	12.91	12.91
1	13.04	13.04
2	13.18	13.18
3	13.33	13.33
4	13.48	13.48
5	7.07	7.07
6	7.32	7.32
7	7.58	7.58
8	7.85	7.85
9	8.13	8.13
10	8.42	8.42
11	8.72	8.72
12	9.03	9.03
13	9.35	9.35
14	9.68	9.68
15	10.02	10.02
16	10.45	10.45
17	10.89	10.89
18	11.35	11.35
19	11.82	11.82
20	12.31	12.31
21	12.82	12.82
22	13.35	13.35
23	13.84	13.84
24	14.35	14.35
25	14.88	14.88
26	15.42	15.42
27	16.00	16.00
28	16.51	16.51
29	17.04	17.04
30	17.59	17.59
31	18.15	18.15
32	18.73	18.73
33	19.33	19.33
34	19.93	19.93
35	20.71	20.71
36	21.51	21.51
37	22.35	22.35
38	23.23	23.23
39	24.15	24.15
40	24.98	24.98
41	25.84	25.84
42	26.72	26.72
43	27.63	27.63
44	28.76	28.76
45	29.93	29.93
46	31.16	31.16
47	32.44	32.44
48	33.79	33.79
49	35.19	35.19
50	36.89	36.89
51	38.66	38.66
52	40.29	40.29
53	42.00	42.00
54	43.79	43.79
55	45.67	45.67
56	47.64	47.64
57	49.70	49.70
58	51.85	51.85
59	54.12	54.12
60	56.48	56.48
61	58.97	58.97
62	61.57	61.57
63	64.30	64.30
64	67.16	67.16
65 +	124.24	124.24
Dependent Child Rate		
Per Child; up to 3	14.69	14.69

**Medical Premium =**

(Medical Base Rate) x (1 + Smoker Factor)  
x (Plan Factor) x (1 + Occupation Rate-Up)  
x (1 + Medical Rate-Up) x (Product Type Factor)  
x (Trend Factor\*) x (Area Factor\*\*)  
x (Duration Factor)

**Plus Option Premium =**

(Plus Option Base Rate) x (1 + Occupation Rate-Up)  
x (1 + Medical Rate-Up) x (Product Type Factor)  
x (Trend Factor\*) x (Area Factor\*\*)  
x (Duration Factor)

**Total Rate =**

[Medical Premium + Plus Option Premium  
+ Term Life Premium] x (Modal Factor) + (Billing Fee)

\* see attached Trend Factor page

\*\* see attached Area Factor page

Term Life Premium per \$1,000 of Coverage	
Age	Premium
0 - 4	0.30
5 - 17	0.20
18 - 29	0.28
30 - 34	0.32
35 - 39	0.44
40 - 44	0.64
45 - 49	0.92
50 - 54	1.36
55 - 59	2.00
60 - 64	2.96
65 - 69	4.64
70 - 74	7.24
75 - 79	11.76
80 - 84	18.32
85 - 89	28.08
90 - 94	39.88
95 - 99	73.20

**Celtic Insurance Company**  
**CeltiCare 3.1 Health Plan**  
**Form G5-543-00145**

**California Area Factors**

3-Digit ZIP Code	CeltiCare 3.1 Area Factors			
	Indemnity	Any Doc PPO	Fully Steered PPO	Plus Option
900	2.63300	2.63300	2.63300	2.63300
901	2.60700	2.60700	2.60700	2.60700
902	2.63300	2.63300	2.63300	2.63300
903	2.49800	2.49800	2.49800	2.49800
904	2.49800	2.49800	2.49800	2.49800
905	2.49800	2.49800	2.49800	2.49800
906	2.34900	2.34900	2.34900	2.34900
907	2.32200	2.32200	2.32200	2.32200
908	2.33400	2.33400	2.33400	2.33400
909	2.34600	2.34600	2.34600	2.34600
910	2.34600	2.34600	2.34600	2.34600
911	2.33400	2.33400	2.33400	2.33400
912	2.25200	2.25200	2.25200	2.25200
913	2.25200	2.25200	2.25200	2.25200
914	2.34600	2.34600	2.34600	2.34600
915	2.32200	2.32200	2.32200	2.32200
916	2.34900	2.34900	2.34900	2.34900
917	2.10800	2.10800	2.10800	2.10800
918	2.40400	2.40400	2.40400	2.40400
919	1.97500	1.97500	1.97500	1.97500
920	1.98800	1.98800	1.98800	1.98800
921	1.95700	1.95700	1.95700	1.95700
922	1.86200	1.86200	1.86200	1.86200
923	1.86200	1.86200	1.86200	1.86200
924	1.84500	1.84500	1.84500	1.84500
925	1.93600	1.93600	1.93600	1.93600
926	2.15100	2.15100	2.15100	2.15100
927	2.02400	2.02400	2.02400	2.02400
928	2.02400	2.02400	2.02400	2.02400
929	2.15100	2.15100	2.15100	2.15100
930	1.82200	1.82200	1.82200	1.82200
931	1.94200	1.94200	1.94200	1.94200
932	1.53100	1.53100	1.53100	1.53100
933	1.53100	1.53100	1.53100	1.53100
934	1.95700	1.95700	1.95700	1.95700
935	1.53100	1.53100	1.53100	1.53100
936	1.41700	1.41700	1.41700	1.41700
937	1.41700	1.41700	1.41700	1.41700
938	1.41700	1.41700	1.41700	1.41700
939	1.82600	1.82600	1.82600	1.82600
940	2.01900	2.01900	2.01900	2.01900
941	2.33100	2.33100	2.33100	2.33100
942	2.14500	2.14500	2.14500	2.14500
943	2.14500	2.14500	2.14500	2.14500
944	1.94200	1.94200	1.94200	1.94200
945	2.14500	2.14500	2.14500	2.14500
946	2.35100	2.35100	2.35100	2.35100
947	2.36600	2.36600	2.36600	2.36600
948	2.05100	2.05100	2.05100	2.05100
949	2.14500	2.14500	2.14500	2.14500
950	1.94200	1.94200	1.94200	1.94200
951	1.91500	1.91500	1.91500	1.91500



**Celtic Insurance Company**  
**CeltiCare 3.1 Health Plan**  
**Form G5-543-00145**  
**California**

**CeltiCare 3.1 Trend Factors**

Date of Increase	Statewide Rate Increase	Statewide Cum. Factor	Nationwide Rate Increase	Nationwide Cum. Factor
4/1/04	-	1.0000	Initial	1.1249
7/1/04	-	1.0000	-	1.1249
10/1/04	-	1.0000	3.0%	1.1586
1/1/05	Initial	1.1992	3.5%	1.1992
4/1/05	3.5%	1.2411	3.5%	1.2411
7/1/05	10.0%	1.3652	10.0%	1.3652
10/1/05	-	1.3652	-	1.3652
1/1/06	-	1.3652	-	1.3652
4/1/06	3.0%	1.4062	3.0%	1.4062
7/1/06	3.0%	1.4484	3.0%	1.4484
10/1/06	3.0%	1.4918	3.0%	1.4918
1/1/07	3.0%	1.5366	3.0%	1.5366
4/1/07	3.0%	1.5827	3.0%	1.5827
7/1/07	8.0%	1.7093	8.0%	1.7093
10/1/07	8.0%	1.8461	8.0%	1.8461
1/1/08	5.0%	1.9384	5.0%	1.9384
4/1/08	5.0%	2.0353	5.0%	2.0353
7/1/08	3.0%	2.0963	3.0%	2.0963
10/1/08	5.0%	2.2011	5.0%	2.2011
1/1/09	3.0%	2.2672	3.0%	2.2672
4/1/09	3.0%	2.3352	3.0%	2.3352
7/1/09	3.0%	2.4053	3.0%	2.4053
10/1/09	3.0%	2.4774	3.0%	2.4774
1/1/10	6.0%	2.6261	6.0%	2.6261
4/1/10	6.0%	2.7836	6.0%	2.7836
7/1/10	6.0%	2.9506	6.0%	2.9506
10/1/10	5.0%	3.0982	5.0%	3.0982
1/1/11	8.0%	3.3460	8.0%	3.3460
4/1/11	8.0%	3.6137	4.0%	3.4799
7/1/11	-	3.6137	6.0%	3.6887
10/1/11	-	3.6137	6.0%	3.9100

## Exhibit One

**Celtic Insurance Company**  
**Form G5-543-00145**  
**CeltiCare 3.1 Health Plan**  
**Nationwide Experience Analysis**

**Current Nationwide All Closed Blocks of Business Inforce (12/2010):** 3,068

**Actual Premium and Claims Experience All Closed Blocks of Business Combined:**  
*(Inforce Business Only)*

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	21,164	8,245,774	8,311,617	100.8%	72.5%
2006	24,720	10,292,445	11,374,458	110.5%	73.3%
2007	29,134	12,601,201	11,678,025	92.7%	73.6%
2008	34,769	16,061,049	13,327,531	83.0%	73.8%
2009	36,595	18,789,146	17,523,007	93.3%	75.0%
2010	27,645	16,019,444	12,041,708	75.2%	75.7%
Total	174,029	82,009,058	74,256,346	90.5%	74.2%

**12-Month Experience (200910 - 201009) for All Closed Blocks of Business**  
*(Inforce Business Only)*

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual/Proj Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	21,163,653	16,630,786	78.6%	75.5%
201010 - 201003	Projected	26,395,021	20,479,140	77.6%	75.6%

**Assumptions:**

Annual Claim Cost Trend: 11.5%  
Annual Discount Rate: 6.0%  
Valuation Date: 12/31/2010  
Proposed Nationwide Rate Increase:

April 1, 2011: 4.0%  
July 1, 2011: 6.0%  
October 1, 2011: 6.0%  
Health Care Reform Impact on Claims: 7.0%

**NOTES:**

- a) Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- b) 2010 Actual entries include 9 months of actual experience.

## Exhibit Two

**Celtic Insurance Company  
Form G5-543-00145  
CeltiCare 3.1 Health Plan**

### California Experience Analysis

**Current California All Closed Blocks Combined Inforce (12/2010):**

26

**Actual Premium and Claims Experience All Closed Blocks of Business Combined:**  
*(Inforce Business Only)*

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	154	98,973	174,507	176.3%	75.2%
2006	170	118,787	161,942	136.3%	76.4%
2007	221	138,811	91,372	65.8%	75.5%
2008	297	194,063	75,275	38.8%	74.5%
2009	324	233,672	279,475	119.6%	76.0%
2010	243	176,648	122,389	69.3%	76.5%
Total	1,409	960,954	904,960	94.2%	75.7%

**12-Month Experience (200910 - 201009) for All Closed Blocks of Business Combined:**  
*(Inforce Business Only)*

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual/Proj Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	260,821	180,961	69.4%	72.0%
201010 - 201003	Projected	341,861	220,524	64.5%	72.0%

**Assumptions:**

Annual Claim Cost Trend: 11.5%  
Annual Discount Rate: 6.0%  
Valuation Date: 12/31/2010  
Proposed California Rate Increase:

April 1, 2011: 8.0%  
July 1, 2011: 0.0%  
October 1, 2011: 0.0%  
Health Care Reform Impact on Claims: 7.0%

**NOTES:**

- a) Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- b) 2010 Actual entries include 9 months of actual experience.
- c) For 12-Month Experience Incurred Claims, claims above \$50,000 are pooled Nationwide

### Exhibit Three

#### Celtic Insurance Company Form G5-543-00145 CeltiCare 3.1 Health Plan

#### California Experience Analysis and Projections

**Table One: Statewide and Nationwide Inforce Policyholders and Credibility Factor**

	(A) All Closed Blocks of Business Inforce (12/2010)	(B) All Closed Blocks of Business EP (200910-201009)	(C) Credibility Threshold	min[1,(B)/(C)] Credibility Factor*
<b>California</b>	26	260,821	3,000,000	9%
<b>Nationwide</b>	3,068	21,163,653		

\* adjustment calculation for credibility factor is explained below.

**Table Two: Future Projections at Current Statewide Volumes and Rates as of the End of 2010**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	342,181	342,181	342,181	342,181	342,181
Projected Claims:	226,608	232,710	238,980	245,423	235,930
Actual LR:	66.2%	68.0%	69.8%	71.7%	68.9%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.919	0.944	0.970	0.996	0.957

**Table Three: Future Projections at Current Statewide Volumes and Proposed Rates for 2011**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	369,530	369,530	369,530	369,530	369,530
Projected Claims:	226,608	232,710	238,980	245,423	235,930
Actual LR:	61.3%	63.0%	64.7%	66.4%	63.8%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.851	0.874	0.898	1.055	0.886

**Table Four: Future Credible Projections at Current Statewide Volumes and Rates as of the End of 2010**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	342,181	342,181	342,181	342,181	342,181
Projected Claims:	256,812	263,727	270,833	278,135	267,377
Actual LR:	75.1%	77.1%	79.1%	81.3%	78.1%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	1.042	1.070	1.099	1.129	1.085

\* adjustment calculation for credibility factor is explained below.

**Table Five: Future Credible Projections at Current Statewide Volumes and Proposed Rates for 2011**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	369,530	369,530	369,530	369,530	369,530
Projected Claims:	256,812	263,727	270,833	278,135	267,377
Actual LR:	69.5%	71.4%	73.3%	75.3%	72.4%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.965	0.991	1.018	1.045	1.005

\* adjustment calculation for credibility factor is explained below.

#### **Assumptions:**

See assumptions in Exhibit One.

#### **Credibility Adjusted Benefit Calculation**

The projected benefits shown in Tables Four and Five above are calculated based on the following method:

Z = credibility factor calculated in Table One

Ca = Statewide Projected Claims from Table Two

Na = Nationwide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Ne = Nationwide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Sa = Statewide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Se = Statewide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Credibility Adjusted Benefits =  $Z \cdot Ca + (1-Z) \cdot (Na/Ne) / (Sa/Se) \cdot Ca$

**Celtic Insurance Company**  
**Actuarial Rate Memorandum**  
**Form G5-543-00145**  
**CeltiCare II Health Plan**

**CALIFORNIA**

**Scope and Purpose**

This is an informational rate revision filing. The purpose of this filing is to meet requirements outlined in the California statutes and demonstrate that benefits are reasonable in relation to the premium charged. In this filing we are requesting the following rate change:

<u>Effective Date</u>	<u>Rate Increase</u>
April 1, 2011	8.0%

**Description of Benefits**

This product is a Major Medical health policy issued by Celtic Insurance Company. Benefits are only paid for eligible expenses that are Incurred as a result of a Sickness, Bodily Injury, or Complication of Pregnancy. Benefits and eligible expenses are detailed in the policy form.

The major provision of this form are as follows:

Lifetime Maximum: \$7,000,000 (except unlimited for essential health benefits as defined by the Patient Protection and Affordable Care Act)

<u>Coinsurance</u>	<u>Deductible</u>
80/20	\$500; \$1,000; \$1,500; \$2,500; \$5,000; \$10,000
100/0	\$1,000; \$1,500; \$2,500; \$5,000; \$10,000

80/20 coinsurance applies on first \$10,000 after deductible

**Coverage Options**

This product offers a choice of 2 Coverage Options differing in their coinsurance levels: 80/20 and 100/0.

The following options are also available with each Coverage Option:

- 1) PPO Option: Two PPO options available; the Any Doc and Fully Steered PPO
- 2) Plus Option 1 and Plus Option 2 (only one of the Plus Options can be chosen)
- 3) Term Life Option

### **Limitations and Exclusions**

Limitations and Exclusions are detailed in the policy form.

### **Rate Guarantees**

Rates are guaranteed not to change for the first twelve months of the policy.

### **Renewability**

The certificate is renewable by paying the applicable renewal premiums unless the certificate holder no longer meets the eligibility requirements of the certificate or the company refuses to renew the policy and its certificates in the state.

### **General Marketing Method**

This product was sold through agents, direct mailings, and the internet. Agents are recruited to work with Celtic through a marketing program that uses trade journal advertising, direct mail, trade show participation, direct sales, and endorsed contracts.

### **Issue Age Limits**

In order for an applicant to have been considered for coverage they must be at least 6 months old and under the age of 64 years and 6 months.

### **Applicability**

The rates will apply to renewal business only.

### **Morbidity**

Morbidity was based upon an analysis of completed experience from our other major medical products, which have been sold since 1993, and the Milliman Health Cost Guidelines.

### **Substandard Rate-Ups**

This product utilizes the following types of substandard rate-ups:

Smoker:	7% rate-up
Non-Smoker:	7% rate-down
Medical:	rate-ups vary by condition and range from -10% to 100%
Child Medical	
(Outside Enrollment):	rate-ups vary by condition and range from -10% to 400%
Occupation/Avocation:	rate-ups vary by occupation/avocation and range from 0% to 100%
Two-Adult Discount:	7% rate-down

In addition, the rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.

### **Premium Modalization**

Premiums may be paid in one of three ways: Monthly Electronic Funds Transfer, Monthly Billing (monthly modal factor = 1.000) or Quarterly Billing (quarterly modal factor = 3.000). A billing fee of \$8 per bill will be assessed for Monthly Billing or Quarterly billing. A one-time application fee of \$25 will be required at the time the application is submitted for underwriting.

### **Claim Reserves**

The Claim Reserve will be calculated using a standard Completion Factor method where a Completion Factor is applied to an Incurred and Paid amount to determine the Anticipated Incurred Claim amount. The amount that has already been Incurred and Paid will then be subtracted from the Anticipated Incurred Claim amount to determine the Claim Reserve.

### **Claim Liability Reserve**

The IBNR reserve is derived by taking the Claim Reserve and subtracting the Pending Claim Reserve. The pending claim reserve is based upon inventory and historical payment patterns.

### **Trend Assumption**

Trend assumptions to be used in future adjustment of rates will be based on claims costs of this and similar Celtic policies as well as various indices and published journals concerning health care costs, including the Medical Cost component of the Consumer Price Index, Oliver Wyman's Carrier Trend Report, Buck Consultants' Trend Survey and Milliman's Health Cost Index.

### **Experience History and Projections**

The actual and projected experience tables are included in the attached Exhibits One through Three. The information provided in Exhibit One is the nationwide actual experience for the inforce business only and the experience for the statewide inforce business is presented in Exhibit Two. Please note that all our closed blocks (Adults, Kids, CeltiCare, ValueOne, CelticSaver, HSA 1.0, CeltiCare II, and Elite) experience is being combined to rate all forms due to the small size of each block.

Table One of Exhibit Three provides the actual past statewide experience. Tables Two and Three of Exhibit Three project the statewide experience with and without the proposed rate increases. Tables Four and Five apply credibility theory to determine credible projections by blending the statewide experience with the nationwide experience based on the credibility factor developed in Table One. An explanation of the credibility adjustment is shown at the bottom of Exhibit Three. The assumptions used in the projections are shown on the bottom of Exhibit One and Two. The premium amount for each date shown in Tables Two to Five is the 12-month earned premium shown on Exhibit Two brought up to the current rate manual level with or without the proposed rate increases. The projected claims are obtained by trending the actual incurred claims during the 12-month period forward to the mid-point of the rate guarantee period for the proposed rate increase with additional adjustment being made for the policy renewal lag.

### **Proposed Rate Increase**

The proposed rate increases will be applied to the renewal policies on the next renewal date of each policyholder on or after the respective effective dates. Notification of each rate change will be given at least sixty days prior to the first due date of the revised premium.

The experience of this product is very limited, and is not fully credible. Therefore, the proposed rate increases in this filing are determined by combining the experience with that of all the closed blocks of business. Based on the projected experience shown in Exhibits One, Two, and Three, an increase of 8% will be taken on April 1, 2011, 0.

Various provisions of Health Care Reform are expected to have an immediate impact on claims levels. For the closed blocks, these include restrictions on guaranteed issue (2.1%) and pre-existing conditions limitations on insureds under age 19 (0.4%), new claims appeal and review guidelines (0.5%), coverage of preventive services with no cost sharing (3.0%), extended coverage of dependents to age 26 (0.5%), no lifetime or annual maximums on essential health benefits (0.5%). Some of the regulations clarifying the provisions have not been finalized. We expect the overall impact of these provisions will raise claims by at least 7%. We have added 7% to the projected claims in deriving these requested rate increases.

Subsequent rate increases beginning with effective dates of January 1, 2012 will be filed in the future.

### **Record of Rate Changes**

A record of all nationwide and statewide Trend Factors for this Policy Form can be found on the attached Trend Factor page.



**Asset Share Assumptions**

Monthly Lapse Rate:

<u>Policy Year</u>	<u>Factor</u>
1	4.5%
2	4.3%
3	4.1%
4	4.1%
5+	3.5%

Discount Rate: 1/1.045

Gender Distribution: 50% Male, 50% Female

Durational Increases:

<u>Policy Duration in months</u>	<u>Increase over New Business</u>
25 - 30	2%
31 - 36	9%
37 - 42	17%
43+	25%

**Estimated Average Annual Premium Per Policy**

The following is a comparison of estimated average annual premium per policy:

<u>Date</u>	<u>Nationwide</u>	<u>California</u>
Prior to 1/1/11	4,923	6,677
1/1/11 - 3/31/11	5,325	7,211
4/1/11 - 6/30/11	5,657	7,788
7/1/11 - 9/30/11	5,902	7,788
10/1/11 - 12/31/11	6,157	7,788

**Future Anticipated Loss Ratio**

All relevant factors were projected over a 10-year period using a theoretical initial block size of 1,000. The anticipated lifetime loss ratio for this product is 70% prior to Health Care Reform.

**Distribution of Business**

The expected age distribution for this product is as follows:

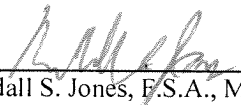
<u>Age</u>	<u>Nation &amp; California</u>
0 - 4	3%
5 - 9	3%
10 - 14	3%
15 - 19	4%
20 - 24	17%
25 - 29	17%
30 - 34	13%
35 - 39	12%
40 - 44	12%
45 - 49	10%
50 - 54	4%
55 - 59	1%
60 - 64	1%

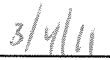
**Contingency and Profit Margin**

Celtic anticipates a pretax profit margin of 5.5%. In order to properly serve the best interests of our customers, Celtic has always maintained a reasonable Contingency Reserve, which is audited annually by consulting Actuaries.

### Actuarial Certification

I certify that to the best of my knowledge and judgment, the entire rate filing is in compliance with the applicable laws of the State of California and the rules of the Department of Insurance and the proposed premiums are reasonable in relationship to the benefits provided. I further certify that the premium rates for this policy form are reasonably similar to rates for similar benefits found in other similar policy forms statewide for Celtic Insurance Company.

  
\_\_\_\_\_  
Randall S. Jones, F.S.A., M.A.A.A.  
Vice President, Actuary

  
\_\_\_\_\_  
Date

**Celtic Insurance Company**  
**CeltiCare II Health Plan**  
**Form G5-543-00145**  
**California**

Medical Base Rates		
Age	Male	Female
0	71.74	71.74
1	71.74	71.74
2	71.74	71.74
3	71.74	71.74
4	71.74	71.74
5	65.72	65.72
6	65.72	65.72
7	65.72	65.72
8	65.72	65.72
9	65.72	65.72
10	65.72	65.72
11	65.72	65.72
12	65.72	65.72
13	65.72	65.72
14	65.72	65.72
15	83.87	83.87
16	83.87	83.87
17	83.87	83.87
18	84.22	84.22
19	85.16	85.16
20	87.18	87.18
21	87.54	87.54
22	87.90	87.90
23	88.27	88.27
24	88.63	88.63
25	89.88	89.88
26	91.15	91.15
27	92.44	92.44
28	96.18	96.18
29	101.49	101.49
30	108.43	108.43
31	110.63	110.63
32	113.26	113.26
33	115.52	115.52
34	117.87	117.87
35	121.17	121.17
36	124.38	124.38
37	129.02	129.02
38	133.41	133.41
39	137.41	137.41
40	141.52	141.52
41	145.79	145.79
42	150.88	150.88
43	156.64	156.64
44	162.45	162.45
45	168.31	168.31
46	174.85	174.85
47	180.72	180.72
48	189.11	189.11
49	196.42	196.42
50	207.77	207.77
51	221.73	221.73
52	236.69	236.69
53	254.24	254.24
54	272.53	272.53
55	285.78	285.78
56	298.81	298.81
57	312.11	312.11
58	326.93	326.93
59	342.80	342.80
60	357.63	357.63
61	373.94	373.94
62	389.99	389.99
63	405.59	405.59
64	422.02	422.02
65 +	780.73	780.73
Dependent Child Rate		
Per Child; up to 3	48.11	48.11

Sub-Standard Rate Ups			
Non-Smoker / Smoker			-7% / +7%
Occupational			0% to 100%
Medical			-10% to 100%
Child Medical (Outside Enrollment)			-10% to 400%
Plan Factors			
Coinurance	Deductible	Stop Loss	Factor
80/20	500	10,000	0.9806
80/20	1,000	10,000	0.8692
80/20	1,500	10,000	0.7443
80/20	2,500	10,000	0.5831
80/20	5,000	10,000	0.4506
80/20	10,000	10,000	0.3686
100/0	1,000	N/A	1.0519
100/0	1,500	N/A	0.9402
100/0	2,500	N/A	0.7600
100/0	5,000	N/A	0.5253
100/0	10,000	N/A	0.4000

Product Type Factors	
Type	Factor
Indemnity	1.3316
Any Doc PPO	1.0870
Fully Steered PPO	1.0000
Plus Option	1.3316

Individual Discount Factor		
Coverage Option	Adult Factor	Child Factor
Primary	1.00	1.00
Primary+Spouse	0.93	1.00
Primary+Child(ren)	1.00	1.00
Family	0.93	1.00

Modal Factors	
Billing Mode	Factor
Monthly	1.0
Quarterly	3.0

Duration Factors	
Policy Months	Factor
0 - 24	1.00
25 - 30	1.02
31 - 36	1.09
37 - 42	1.17
43 +	1.25

Other Fees	
Billing Fee	\$8.00 per bill
One-Time Application Fee	\$25.00

Term Life Premium per \$1,000 of Coverage	
Age	Premium
0 - 4	0.30
5 - 17	0.20
18 - 29	0.28
30 - 34	0.32
35 - 39	0.44
40 - 44	0.64
45 - 49	0.92
50 - 54	1.36
55 - 59	2.00
60 - 64	2.96
65 - 69	4.64
70 - 74	7.24
75 - 79	11.76
80 - 84	18.32
85 - 89	28.08
90 - 94	39.88
95 - 99	73.20

The rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.

**Celtic Insurance Company**  
**CeltiCare II Health Plan**  
**Form G5-543-00145**  
**California**

Plus Option Base Rates				
Age	Full Plus Option		Rx Card Only	
	Male	Female	Male	Female
0	10.89	10.89	1.06	1.06
1	10.89	10.89	1.12	1.12
2	10.89	10.89	1.19	1.19
3	10.89	10.89	1.26	1.26
4	10.89	10.89	1.33	1.33
5	10.89	10.89	1.41	1.41
6	7.97	7.97	1.49	1.49
7	7.97	7.97	1.58	1.58
8	7.97	7.97	1.68	1.68
9	7.97	7.97	1.77	1.77
10	8.99	8.99	1.88	1.88
11	8.99	8.99	1.99	1.99
12	8.99	8.99	2.11	2.11
13	8.99	8.99	2.23	2.23
14	8.99	8.99	2.36	2.36
15	9.48	9.48	2.50	2.50
16	9.48	9.48	2.66	2.66
17	9.48	9.48	2.84	2.84
18	9.48	9.48	3.02	3.02
19	9.48	9.48	3.22	3.22
20	10.69	10.69	3.43	3.43
21	10.69	10.69	3.64	3.64
22	10.69	10.69	3.88	3.88
23	10.69	10.69	4.11	4.11
24	10.69	10.69	4.35	4.35
25	10.89	10.89	4.61	4.61
26	11.25	11.25	4.87	4.87
27	11.57	11.57	5.16	5.16
28	11.81	11.81	5.44	5.44
29	12.07	12.07	5.72	5.72
30	12.58	12.58	6.03	6.03
31	12.97	12.97	6.35	6.35
32	13.42	13.42	6.69	6.69
33	13.71	13.71	7.03	7.03
34	14.04	14.04	7.40	7.40
35	14.27	14.27	7.83	7.83
36	14.69	14.69	8.29	8.29
37	15.24	15.24	8.78	8.78
38	15.69	15.69	9.29	9.29
39	16.27	16.27	9.84	9.84
40	16.72	16.72	10.36	10.36
41	17.43	17.43	10.91	10.91
42	17.98	17.98	11.49	11.49
43	18.67	18.67	12.09	12.09
44	19.11	19.11	12.80	12.80
45	20.01	20.01	13.55	13.55
46	20.91	20.91	14.35	14.35
47	21.85	21.85	15.19	15.19
48	22.61	22.61	16.09	16.09
49	23.66	23.66	17.03	17.03
50	25.10	25.10	18.14	18.14
51	26.45	26.45	19.32	19.32
52	27.66	27.66	20.45	20.45
53	28.73	28.73	21.65	21.65
54	30.22	30.22	22.93	22.93
55	31.60	31.60	24.28	24.28
56	33.06	33.06	25.70	25.70
57	34.56	34.56	27.21	27.21
58	36.07	36.07	28.81	28.81
59	38.08	38.08	30.50	30.50
60	39.91	39.91	32.29	32.29
61	42.09	42.09	34.19	34.19
62	43.94	43.94	36.20	36.20
63	46.10	46.10	38.33	38.33
64	48.29	48.29	40.58	40.58
65 +	89.34	89.34	75.08	75.08
Dependent Child Rate				
Per Child; up to 3	10.99	10.99	4.51	4.51

**For Each Covered Person:**

**Medical Premium=**

(Medical Base Rate) x (1 + Smoker Factor)  
x (Plan Factor) x (1 + Occupation Rate-Up)  
x (1 + Medical Rate-Up) x (Product Type Factor)  
x (Trend Factor\*) x (Area Factor\*\*)  
x (Individual Discount Factor) x (Duration Factor)

**Plus Option Premium=**

(Plus Option Base Rate) x (1 + Occupation Rate-Up)  
x (1 + Medical Rate-Up) x (Product Type Factor)  
x (Trend Factor\*) x (Area Factor\*\*)  
x (Individual Discount Factor) x (Duration Factor)

**Total Rate per Person =**

[Medical Premium + Plus Option Premium]

Total Billed Rate =  $\Sigma$  (Total Rate per Covered Person) \* Modal Factor  
+ Billing Fee

\* see attached Trend Factor page

\*\* see attached Area Factor page

**Sample Premium Calculation:**

**Sample Case**

Effective Date: 4/1/2011  
Primary: Male, 33 years old, Smoker  
Spouse: Female, 33 years old, Non-Smoker  
Number of Children: 2  
Plan: Fully Steered PPO  
\$2,500 Deductible  
80/20 Coinsurance  
with Plus Option  
Zip Code: 90001

**Premium Calculation**

Trend Factor: 3.146  
Area Factor: 2.633  
Product Type Factor: 1.000  
Rx Card Type Factor: 1.3316  
Plan Factor: 0.5831  
Primary Smoker Rate-Up: 7%  
Spouse Smoker Rate-Up: -7%  
Med/Occupation Rate-Ups: 0 for the primary, spouse and children  
Primary Discount Factor: 0.93  
Spouse Discount Factor: 0.93  
Children Discount Factor: 1.00

Primary Medical Premium =  $115.52 \times (1 + (0.07)) \times 0.5831 \times (1 + 0.0) \times (1 + 0.0) \times 1 \times 3.146 \times 2.633 \times 0.93 = \$555.00$

Spouse Medical Premium =  $115.52 \times (1 + (-0.07)) \times 0.5831 \times (1 + 0.0) \times (1 + 0.0) \times 1 \times 3.146 \times 2.633 \times 0.93 = \$483.00$

Children Medical Premium =  $(48.11 \times 2) \times 0.5831 \times (1 + 0.0) \times (1 + 0.0) \times 1 \times 3.146 \times 2.633 \times 1 = \$465.00$

Primary Plus Option Premium =  $13.71 \times (1 + 0.0) \times (1 + 0.0) \times 1.3316 \times 3.146 \times 2.633 \times 0.93 = \$141.00$

Spouse Plus Option Premium =  $13.71 \times (1 + 0.0) \times (1 + 0.0) \times 1.3316 \times 3.146 \times 2.633 \times 0.93 = \$141.00$

Children Plus Option Premium =  $(10.99 \times 2) \times (1 + 0.0) \times (1 + 0.0) \times 1.3316 \times 3.146 \times 2.633 \times 1 = \$242.00$

Total Premium =  $(555.00 + 483.00 + 465.00) + (141.00 + 141.00 + 242.00) = \$2027.00$

**Celtic Insurance Company  
CeltiCare II Health Plan  
Form G5-543-00145**

**California Area Factors**

3-Digit ZIP Code	CeltiCare II Area Factors			
	Indemnity	Any Doc PPO	Fully Steered PPO	Plus Option
900	2.63300	2.63300	2.63300	2.63300
901	2.60700	2.60700	2.60700	2.60700
902	2.63300	2.63300	2.63300	2.63300
903	2.49800	2.49800	2.49800	2.49800
904	2.49800	2.49800	2.49800	2.49800
905	2.49800	2.49800	2.49800	2.49800
906	2.34900	2.34900	2.34900	2.34900
907	2.32200	2.32200	2.32200	2.32200
908	2.33400	2.33400	2.33400	2.33400
909	2.34600	2.34600	2.34600	2.34600
910	2.34600	2.34600	2.34600	2.34600
911	2.33400	2.33400	2.33400	2.33400
912	2.25200	2.25200	2.25200	2.25200
913	2.25200	2.25200	2.25200	2.25200
914	2.34600	2.34600	2.34600	2.34600
915	2.32200	2.32200	2.32200	2.32200
916	2.34900	2.34900	2.34900	2.34900
917	2.10800	2.10800	2.10800	2.10800
918	2.40400	2.40400	2.40400	2.40400
919	1.97500	1.97500	1.97500	1.97500
920	1.98800	1.98800	1.98800	1.98800
921	1.95700	1.95700	1.95700	1.95700
922	1.86200	1.86200	1.86200	1.86200
923	1.86200	1.86200	1.86200	1.86200
924	1.84500	1.84500	1.84500	1.84500
925	1.93600	1.93600	1.93600	1.93600
926	2.15100	2.15100	2.15100	2.15100
927	2.02400	2.02400	2.02400	2.02400
928	2.02400	2.02400	2.02400	2.02400
929	2.15100	2.15100	2.15100	2.15100
930	1.82200	1.82200	1.82200	1.82200
931	1.94200	1.94200	1.94200	1.94200
932	1.53100	1.53100	1.53100	1.53100
933	1.53100	1.53100	1.53100	1.53100
934	1.95700	1.95700	1.95700	1.95700
935	1.53100	1.53100	1.53100	1.53100
936	1.41700	1.41700	1.41700	1.41700
937	1.41700	1.41700	1.41700	1.41700
938	1.41700	1.41700	1.41700	1.41700
939	1.82600	1.82600	1.82600	1.82600
940	2.01900	2.01900	2.01900	2.01900
941	2.33100	2.33100	2.33100	2.33100
942	2.14500	2.14500	2.14500	2.14500
943	2.14500	2.14500	2.14500	2.14500
944	1.94200	1.94200	1.94200	1.94200
945	2.14500	2.14500	2.14500	2.14500
946	2.35100	2.35100	2.35100	2.35100
947	2.36600	2.36600	2.36600	2.36600
948	2.05100	2.05100	2.05100	2.05100
949	2.14500	2.14500	2.14500	2.14500
950	1.94200	1.94200	1.94200	1.94200
951	1.91500	1.91500	1.91500	1.91500

**Celtic Insurance Company**  
**CeltiCare II Health Plan**  
**Form G5-543-00145**  
**California**

**CeltiCare II Trend Factors**

<u>Date of Increase</u>	<u>Statewide Rate Increase</u>	<u>Statewide Cum. Factor</u>	<u>Nationwide Rate Increase</u>	<u>Nationwide Cum. Factor</u>
10/1/05	-	1.2402	<b>Initial</b>	1.2402
11/1/05	-	1.2402	-	1.2402
1/1/06	<b>Initial</b>	1.2402	-	1.2402
2/1/06	-	1.2402	-	1.2402
3/1/06	-	1.2402	-	1.2402
4/1/06	3.5%	1.2836	3.5%	1.2836
7/1/06	3.5%	1.3285	3.5%	1.3285
10/1/06	3.5%	1.3750	3.5%	1.3750
1/1/07	3.0%	1.4163	3.0%	1.4163
4/1/07	3.0%	1.4588	3.0%	1.4588
7/1/07	3.0%	1.5025	3.0%	1.5025
10/1/07	7.0%	1.6077	7.0%	1.6077
1/1/08	7.0%	1.7203	7.0%	1.7203
4/1/08	5.0%	1.8063	5.0%	1.8063
7/1/08	3.0%	1.8605	3.0%	1.8605
10/1/08	3.0%	1.9163	3.0%	1.9163
1/1/09	3.0%	1.9738	3.0%	1.9738
4/1/09	3.0%	2.0330	3.0%	2.0330
7/1/09	3.0%	2.0940	3.0%	2.0940
10/1/09	3.0%	2.1568	3.0%	2.1568
1/1/10	6.0%	2.2862	6.0%	2.2862
4/1/10	6.0%	2.4234	6.0%	2.4234
7/1/10	6.0%	2.5688	6.0%	2.5688
10/1/10	5.0%	2.6972	5.0%	2.6972
1/1/11	8.0%	2.9130	8.0%	2.9130
4/1/11	8.0%	3.1460	4.0%	3.0295
7/1/11	-	3.1460	6.0%	3.2113
10/1/11	-	3.1460	6.0%	3.4039

# Exhibit One

## Celtic Insurance Company Form G5-543-00145 CeltiCare II Health Plan Nationwide Experience Analysis

**Current Nationwide All Closed Blocks of Business Inforce (12/2010):** 3,068

### Actual Premium and Claims Experience All Closed Blocks of Business Combined: (Inforce Business Only)

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	21,164	8,245,774	8,311,617	100.8%	72.5%
2006	24,720	10,292,445	11,374,458	110.5%	73.3%
2007	29,134	12,601,201	11,678,025	92.7%	73.6%
2008	34,769	16,061,049	13,327,531	83.0%	73.8%
2009	36,595	18,789,146	17,523,007	93.3%	75.0%
2010	27,645	16,019,444	12,041,708	75.2%	75.7%
Total	174,029	82,009,058	74,256,346	90.5%	74.2%

### 12-Month Experience (200910 - 201009) for All Closed Blocks of Business (Inforce Business Only)

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual/Proj Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	21,163,653	16,630,786	78.6%	75.5%
201010 - 201003	Projected	26,395,021	20,479,140	77.6%	75.6%

### Assumptions:

Annual Claim Cost Trend: 11.5%  
Annual Discount Rate: 6.0%  
Valuation Date: 12/31/2010  
Proposed Nationwide Rate Increase:

April 1, 2011: 4.0%  
July 1, 2011: 6.0%  
October 1, 2011: 6.0%  
Health Care Reform Impact on Claims: 7.0%

### NOTES:

- Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- 2010 Actual entries include 9 months of actual experience.



## Exhibit Two

### Celtic Insurance Company Form G5-543-00145 CeltiCare II Health Plan

#### California Experience Analysis

Current California All Closed Blocks Combined Inforce (12/2010):

26

#### Actual Premium and Claims Experience All Closed Blocks of Business Combined: (Inforce Business Only)

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	154	98,973	174,507	176.3%	75.2%
2006	170	118,787	161,942	136.3%	76.4%
2007	221	138,811	91,372	65.8%	75.5%
2008	297	194,063	75,275	38.8%	74.5%
2009	324	233,672	279,475	119.6%	76.0%
2010	243	176,648	122,389	69.3%	76.5%
Total	1,409	960,954	904,960	94.2%	75.7%

#### 12-Month Experience (200910 - 201009) for All Closed Blocks of Business Combined: (Inforce Business Only)

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual/Proj Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	260,821	180,961	69.4%	72.0%
201010 - 201003	Projected	341,861	220,524	64.5%	72.0%

#### Assumptions:

Annual Claim Cost Trend: 11.5%  
Annual Discount Rate: 6.0%  
Valuation Date: 12/31/2010  
Proposed California Rate Increase:

April 1, 2011: 8.0%  
July 1, 2011: 0.0%  
October 1, 2011: 0.0%  
Health Care Reform Impact on Claims: 7.0%

#### NOTES:

- a) Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- b) 2010 Actual entries include 9 months of actual experience.
- c) For 12-Month Experience Incurred Claims, claims above \$50,000 are pooled Nationwide

### Exhibit Three

#### Celtic Insurance Company Form G5-543-00145 CeltiCare II Health Plan

#### California Experience Analysis and Projections

**Table One: Statewide and Nationwide Inforce Policyholders and Credibility Factor**

	(A) All Closed Blocks of Business Inforce (12/2010)	(B) All Closed Blocks of Business EP (200910-201009)	(C) Credibility Threshold	$\min[1, (B)/(C)]$ Credibility Factor*
<b>California</b>	26	260,821	3,000,000	9%
<b>Nationwide</b>	3,068	21,163,653		

\* adjustment calculation for credibility factor is explained below.

**Table Two: Future Projections at Current Statewide Volumes and Rates as of the End of 2010**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	342,181	342,181	342,181	342,181	342,181
Projected Claims:	226,608	232,710	238,980	245,423	235,930
Actual LR:	66.2%	68.0%	69.8%	71.7%	68.9%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.919	0.944	0.970	0.996	0.957

**Table Three: Future Projections at Current Statewide Volumes and Proposed Rates for 2011**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	369,530	369,530	369,530	369,530	369,530
Projected Claims:	226,608	232,710	238,980	245,423	235,930
Actual LR:	61.3%	63.0%	64.7%	66.4%	63.8%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.851	0.874	0.898	1.055	0.886

**Table Four: Future Credible Projections at Current Statewide Volumes and Rates as of the End of 2010**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	342,181	342,181	342,181	342,181	342,181
Projected Claims:	256,812	263,727	270,833	278,135	267,377
Actual LR:	75.1%	77.1%	79.1%	81.3%	78.1%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	1.042	1.070	1.099	1.129	1.085

\* adjustment calculation for credibility factor is explained below.

**Table Five: Future Credible Projections at Current Statewide Volumes and Proposed Rates for 2011**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	369,530	369,530	369,530	369,530	369,530
Projected Claims:	256,812	263,727	270,833	278,135	267,377
Actual LR:	69.5%	71.4%	73.3%	75.3%	72.4%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.965	0.991	1.018	1.045	1.005

\* adjustment calculation for credibility factor is explained below.

#### Assumptions:

See assumptions in Exhibit One.

#### Credibility Adjusted Benefit Calculation

The projected benefits shown in Tables Four and Five above are calculated based on the following method:

Z = credibility factor calculated in Table One

Ca = Statewide Projected Claims from Table Two

Na = Nationwide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Ne = Nationwide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Sa = Statewide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Se = Statewide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Credibility Adjusted Benefits =  $Z \cdot Ca + (1-Z) \cdot (Na/Ne) / (Sa/Se) \cdot Ca$

**Celtic Insurance Company  
Actuarial Rate Memorandum  
Form G5-544-00156  
Value One 1.1**

**CALIFORNIA**

**Scope and Purpose**

This is an informational rate revision filing. The purpose of this filing is to meet requirements outlined in the California statutes and demonstrate that benefits are reasonable in relation to the premium charged. In this filing we are requesting the following rate change:

<u>Effective Date</u>	<u>Rate Increase</u>
April 1, 2011	8.0%

**Description of Benefits**

This product is a Major Medical health policy issued by Celtic Insurance Company. Benefits are only paid for eligible expenses that are Incurred as a result of a Sickness, Bodily Injury, or Complication of Pregnancy. Benefits and eligible expenses are detailed in the policy form.

The major provision of this form are as follows:

Lifetime Maximum:	\$5,000,000 (except unlimited for essential health benefits as defined by the Patient Protection and Affordable Care Act)
Deductibles:	\$2,000; \$3,500; \$6,000; \$10,000
Co-Insurance:	70/30 on first \$10,000 after deductible

**Coverage Options**

In addition to the standard plan, an insured may elect to complement coverage by selecting the Plus Option.

**Limitations and Exclusions**

Limitations and Exclusions are detailed in the policy form.

### **Rate Guarantees**

Rates are guaranteed not to change for the first twelve months of the policy.

### **Renewability**

The certificate is renewable by paying the applicable renewal premiums unless the certificate holder no longer meets the eligibility requirements of the certificate or the company refuses to renew the policy and its certificates in the state.

### **General Marketing Method**

This product was sold through agents, direct mailings, and the internet. Agents are recruited to work with Celtic through a marketing program that uses trade journal advertising, direct mail, trade show participation, direct sales, and endorsed contracts.

### **Issue Age Limits**

In order for an applicant to have been considered for coverage they must be at least 6 months old and under the age of 64 years and 6 months.

### **Applicability**

The rates will apply to renewal business only.

### **Morbidity**

Morbidity was based upon an analysis of completed experience from our other major medical products, which have been sold since 1993, and the Milliman Health Cost Guidelines.

### **Substandard Rate-Ups**

This product utilizes the following types of substandard rate-ups:

Smoker:	7% rate-up
Non-Smoker:	7% rate-down
Medical:	rate-ups vary by condition and range from -10% to 100%
Child Medical (Outside Enrollment):	rate-ups vary by condition and range from -10% to 400%

In addition, the rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.

### **Premium Modalization**

Premiums may be paid in one of three ways: Monthly Electronic Funds Transfer, Monthly Billing (monthly modal factor = 1.000) or Quarterly Billing (quarterly modal factor = 3.000). A billing fee of \$8 per bill will be assessed for Monthly Billing or Quarterly billing. A one-time application fee of \$25 will be required at the time the application is submitted for underwriting.

### **Claim Reserves**

The Claim Reserve will be calculated using a standard Completion Factor method where a Completion Factor is applied to an Incurred and Paid amount to determine the Anticipated Incurred Claim amount. The amount that has already been Incurred and Paid will then be subtracted from the Anticipated Incurred Claim amount to determine the Claim Reserve.

### **Claim Liability Reserve**

The IBNR reserve is derived by taking the Claim Reserve and subtracting the Pending Claim Reserve. The pending claim reserve is based upon inventory and historical payment patterns.

### **Trend Assumption**

Trend assumptions to be used in future adjustment of rates will be based on claims costs of this and similar Celtic policies as well as various indices and published journals concerning health care costs, including the Medical Cost component of the Consumer Price Index, Oliver Wyman's Carrier Trend Report, Buck Consultants' National Health Care Trend Survey and Milliman & Robertson's Health Cost Index.

### **Experience History and Projections**

The actual and projected experience tables are included in the attached Exhibits One through Three. The information provided in Exhibit One is the nationwide actual experience for the inforce business only, while the experience for the statewide inforce business only is presented in Exhibit Two. Please note that all our closed blocks (Adults, Kids, CeltiCare, ValueOne, CelticSaver, HSA 1.0, CeltiCare II, and Elite) experience is being combined to rate all forms due to the small size of each block.

Table One of Exhibit Three provides actual past statewide experience. Tables Two and Three of Exhibit Three project the statewide experience with and without the proposed rate increases. Tables Four and Five apply credibility theory to determine credible projections by blending the statewide experience with the nationwide experience based on the credibility factor developed in Table One. An explanation of the credibility adjustment is shown at the bottom of Exhibit Three. The assumptions used in the projections are shown on the bottom of Exhibit One and Two. The premium amount for each date shown in Tables Two to Five is the 12-month earned premium shown on Exhibit Two brought up to the current rate manual level with or without the proposed rate increases. The projected claims are obtained by trending the actual incurred claims during the 12-month period forward to the mid-point of the rate guarantee period for the proposed rate increase with additional adjustment being made for the policy renewal lag.

### **Proposed Rate Increase**

The proposed rate increases will be applied to the renewal policies on the next renewal date of each policyholder on or after the respective effective dates. Notification of each rate change will be given at least sixty days prior to the first due date of the revised premium.

The experience of this product is very limited, and is not fully credible. Therefore, the proposed rate increases in this filing are determined by combining the experience with that of all the closed blocks of business. Based on the projected experience shown in Exhibits One, Two, and Three, an increase of 8% will be taken on April 1, 2011.

Various provisions of Health Care Reform are expected to have an immediate impact on claims levels. For the closed blocks, these include restrictions on guaranteed issue (2.1%) and pre-existing conditions limitations on insureds under age 19 (0.4%), new claims appeal and review guidelines (0.5%), coverage of preventive services with no cost sharing (3.0%), extended coverage of dependents to age 26 (0.5%), no lifetime or annual maximums on essential health benefits (0.5%). Some of the regulations clarifying the provisions have not been finalized. We expect the overall impact of these provisions will raise claims by at least 7%. We have added 7% to the projected claims in deriving these requested rate increases.

Subsequent rate increases beginning with effective dates of January 1, 2012 will be filed in the future.

### **Record of Rate Changes**

A record of all nationwide and statewide Trend Factors for this Policy Form can be found on the attached Trend Factor page.

### **Asset Share Assumptions**

Monthly Lapse Rate:

<u>Policy Year</u>	<u>Factor</u>
1	3.9%
2	3.5%
3	3.0%
4	2.8%
5+	2.0%

Discount Rate: 1/1.02

Gender Distribution: 50% Male, 50% Female

Durational Increases:

<u>Policy Duration in months</u>	<u>Increase over New Business</u>
25 - 30	2%
31 - 36	9%
37 - 42	17%
43+	25%

### **Estimated Average Annual Premium Per Policy**

The following is a comparison of estimated average annual premium per policy:

<b>Date</b>	<b>Nationwide</b>	<b>California</b>
Prior to 1/1/11	2,709	4,700
1/1/11 - 3/31/11	2,897	5,076
4/1/11 - 6/30/11	3,014	5,482
7/1/11 - 9/30/11	3,135	5,482
10/1/11 - 12/31/11	3,260	5,482

### **Future Anticipated Loss Ratio**

All relevant factors were projected over a 10-year period using a theoretical initial block size of 1000. The anticipated lifetime loss ratio for this product is 70% prior to Health Care Reform.

### **Distribution of Business**

The expected age distribution for this product is as follows:

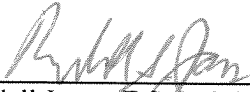
<u>Age</u>	<u>Nation &amp; California</u>
0 - 4	3%
5 - 9	3%
10 - 14	3%
15 - 19	3%
20 - 24	12%
25 - 29	14%
30 - 34	14%
35 - 39	15%
40 - 44	15%
45 - 49	13%
50 - 54	3%
55 - 59	1%
60 - 64	1%

### **Contingency and Profit Margin**

Celtic anticipates a pretax profit margin of 5.5%. In order to properly serve the best interests of our customers, Celtic has always maintained a reasonable Contingency Reserve, which is audited annually by consulting Actuaries.

### Actuarial Certification

I certify that to the best of my knowledge and judgment, the entire rate filing is in compliance with the applicable laws of the State of California and the rules of the Department of Insurance and the proposed premiums are reasonable in relationship to the benefits provided. I further certify that the premium rates for this policy form are reasonably similar to rates for similar benefits found in other similar policy forms statewide for Celtic Insurance Company.



\_\_\_\_\_  
Randall Jones, F.S.A., M.A.A.A.  
Vice President, Actuary



\_\_\_\_\_  
Date



**Celtic Insurance Company**  
**Value One 1.1 Health Plan**  
**Form G5-544-00156**  
**California**

Medical Base Rates		
Age	Value One 1.1	
	Male	Female
0	64.16	64.16
1	64.16	64.16
2	64.16	64.16
3	64.16	64.16
4	64.16	64.16
5	58.77	58.77
6	58.77	58.77
7	58.77	58.77
8	58.77	58.77
9	58.77	58.77
10	58.77	58.77
11	58.77	58.77
12	58.77	58.77
13	58.77	58.77
14	58.77	58.77
15	74.50	74.50
16	74.50	74.50
17	74.50	74.50
18	75.32	75.32
19	76.16	76.16
20	77.96	77.96
21	78.29	78.29
22	78.61	78.61
23	78.94	78.94
24	79.26	79.26
25	80.37	80.37
26	81.51	81.51
27	82.67	82.67
28	86.01	86.01
29	90.76	90.76
30	96.96	96.96
31	98.94	98.94
32	101.29	101.29
33	103.31	103.31
34	105.41	105.41
35	108.36	108.36
36	111.23	111.23
37	115.38	115.38
38	119.31	119.31
39	122.88	122.88
40	126.56	126.56
41	130.37	130.37
42	134.92	134.92
43	140.08	140.08
44	145.27	145.27
45	150.52	150.52
46	156.37	156.37
47	161.61	161.61
48	169.11	169.11
49	175.66	175.66
50	185.80	185.80
51	198.29	198.29
52	211.67	211.67
53	227.36	227.36
54	243.71	243.71
55	255.56	255.56
56	267.21	267.21
57	279.11	279.11
58	292.36	292.36
59	306.56	306.56
60	319.81	319.81
61	334.41	334.41
62	348.76	348.76
63	362.71	362.71
64	377.40	377.40
65 + (Prim.)	698.19	698.19
65 + (Sec.)	419.95	419.95
Dependent Child Rate		
Per Child; up to 3	52.95	52.95

Sub-Standard Rate Ups	
Non-Smoker / Smoker	-7% / +7%
Medical	-10 to 100%
Child Medical (Outside Enrollment)	-10 to 400%

Plan Factors			
Coinsurance	Deductible	Stop Loss	Factor
70/30	2,000	10,000	0.6094
70/30	3,500	10,000	0.4836
70/30	6,000	10,000	0.3986
70/30	10,000	10,000	0.3502

Product Type Factors	
Type	Factor
Fully Steered PPO	1.0000
Plus Option	1.3316

Modal Factors	
Billing Mode	Factor
Monthly	1.0
Quarterly	3.0

Duration Factors	
Policy Months	Factor
0 - 24	1.00
25 - 30	1.02
31 - 36	1.09
37 - 42	1.17
43 +	1.25

Other Fees	
	VO 1.1
Billing Fee	\$8.00 per bill
One-Time Application Fee	\$25.00

**Note:**

The rate for a child is subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application.

**Celtic Insurance Company**  
**Value One 1.1 Health Plan**  
**Form G5-544-00156**  
**California**

Plus Option Base Rates		
Age	Value One 1.1	
	Male	Female
0	8.39	8.39
1	8.48	8.48
2	8.57	8.57
3	8.66	8.66
4	8.76	8.76
5	4.60	4.60
6	4.76	4.76
7	4.93	4.93
8	5.10	5.10
9	5.29	5.29
10	5.47	5.47
11	5.67	5.67
12	5.87	5.87
13	6.08	6.08
14	6.29	6.29
15	6.51	6.51
16	6.79	6.79
17	7.08	7.08
18	7.38	7.38
19	7.68	7.68
20	8.00	8.00
21	8.33	8.33
22	8.68	8.68
23	9.00	9.00
24	9.33	9.33
25	9.67	9.67
26	10.03	10.03
27	10.40	10.40
28	10.73	10.73
29	11.08	11.08
30	11.43	11.43
31	11.80	11.80
32	12.18	12.18
33	12.56	12.56
34	12.96	12.96
35	13.46	13.46
36	13.98	13.98
37	14.53	14.53
38	15.10	15.10
39	15.70	15.70
40	16.24	16.24
41	16.79	16.79
42	17.37	17.37
43	17.96	17.96
44	18.69	18.69
45	19.45	19.45
46	20.25	20.25
47	21.09	21.09
48	21.96	21.96
49	22.88	22.88
50	23.98	23.98
51	25.13	25.13
52	26.19	26.19
53	27.30	27.30
54	28.47	28.47
55	29.69	29.69
56	30.96	30.96
57	32.30	32.30
58	33.71	33.71
59	35.17	35.17
60	36.71	36.71
61	38.33	38.33
62	40.02	40.02
63	41.79	41.79
64	43.65	43.65
65 +	80.75	80.75
Dependent Child Rate		
Per Child; up to 3	9.55	9.55

**Medical Premium =**

(Medical Base Rate) x (Plan Factor)  
x (Product Type Factor) x (Trend Factor\*)  
x (1 + Smoker Factor) x (Area Factor\*\*)  
x (Duration Factor)

**Plus Option Premium =**

(Plus Option Base Rate) x (Product Type Factor)  
x (Trend Factor\*) x (Area Factor\*\*)  
x (Duration Factor)

**Total Rate =**

[Medical Premium + Plus Option Premium]  
x (Modal Factor) + (Billing Fee)

\* see attached Trend Factor page

\*\* see attached Area Factor page

**Celtic Insurance Company  
Value One 1.1 Health Plan  
Form G5-544-00156**

**California Area Factors**

3-Digit ZIP Code	Value One 1.1 Area Factors	
	Fully Steered PPO	Plus Option
900	2.63300	2.63300
901	2.60700	2.60700
902	2.63300	2.63300
903	2.49800	2.49800
904	2.49800	2.49800
905	2.49800	2.49800
906	2.34900	2.34900
907	2.32200	2.32200
908	2.33400	2.33400
909	2.34600	2.34600
910	2.34600	2.34600
911	2.33400	2.33400
912	2.25200	2.25200
913	2.25200	2.25200
914	2.34600	2.34600
915	2.32200	2.32200
916	2.34900	2.34900
917	2.10800	2.10800
918	2.40400	2.40400
919	1.97500	1.97500
920	1.98800	1.98800
921	1.95700	1.95700
922	1.86200	1.86200
923	1.86200	1.86200
924	1.84500	1.84500
925	1.93600	1.93600
926	2.15100	2.15100
927	2.02400	2.02400
928	2.02400	2.02400
929	2.15100	2.15100
930	1.82200	1.82200
931	1.94200	1.94200
932	1.53100	1.53100
933	1.53100	1.53100
934	1.95700	1.95700
935	1.53100	1.53100
936	1.41700	1.41700
937	1.41700	1.41700
938	1.41700	1.41700
939	1.82600	1.82600
940	2.01900	2.01900
941	2.33100	2.33100
942	2.14500	2.14500
943	2.14500	2.14500
944	1.94200	1.94200
945	2.14500	2.14500
946	2.35100	2.35100
947	2.36600	2.36600
948	2.05100	2.05100
949	2.14500	2.14500
950	1.94200	1.94200
951	1.91500	1.91500

**Celtic Insurance Company**  
**Value One 1.1 Health Plan**  
**Form G5-544-00156**  
**California**

**ValueOne 1.1 Trend Factors**

<u>Date of Increase</u>	<u>Statewide Rate Increase</u>	<u>Statewide Cum. Factor</u>	<u>Nationwide Rate Increase</u>	<u>Nationwide Cum. Factor</u>
4/1/04	-	1.1249	<b>Initial</b>	1.1249
7/1/04	-	1.1249	-	1.1249
10/1/04	-	1.1249	3.0%	1.1586
1/1/05	<b>Initial</b>	1.1992	3.5%	1.1992
4/1/05	3.5%	1.2411	3.5%	1.2411
7/1/05	10.0%	1.3652	10.0%	1.3652
10/1/05	-	1.3652	-	1.3652
1/1/06	-	1.3652	-	1.3652
4/1/06	3.0%	1.4062	3.0%	1.4062
7/1/06	3.0%	1.4484	3.0%	1.4484
10/1/06	3.0%	1.4918	3.0%	1.4918
1/1/07	3.0%	1.5366	3.0%	1.5366
4/1/07	3.0%	1.5827	3.0%	1.5827
7/1/07	8.0%	1.7093	8.0%	1.7093
10/1/07	8.0%	1.8461	8.0%	1.8461
1/1/08	5.0%	1.9384	5.0%	1.9384
4/1/08	5.0%	2.0353	5.0%	2.0353
7/1/08	3.0%	2.0963	3.0%	2.0963
10/1/08	5.0%	2.2011	5.0%	2.2011
1/1/09	3.0%	2.2672	3.0%	2.2672
4/1/09	3.0%	2.3352	3.0%	2.3352
7/1/09	3.0%	2.4053	3.0%	2.4053
10/1/09	3.0%	2.4774	3.0%	2.4774
1/1/10	6.0%	2.6261	6.0%	2.6261
4/1/10	6.0%	2.7836	6.0%	2.7836
7/1/10	6.0%	2.9506	6.0%	2.9506
10/1/10	5.0%	3.0982	5.0%	3.0982
1/1/11	8.0%	3.3460	8.0%	3.3460
4/1/11	8.0%	3.6137	4.0%	3.4799
7/1/11	-	3.6137	6.0%	3.6887
10/1/11	-	3.6137	6.0%	3.9100

## Exhibit One

**Celtic Insurance Company**  
**Form G5-544-00156**  
**ValueOne 1.1 Health Plan**  
**Nationwide Experience Analysis**

**Current Nationwide All Closed Blocks of Business Inforce (12/2010):** 3,068

**Actual Premium and Claims Experience All Closed Blocks of Business Combined:**  
*(Inforce Business Only)*

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	21,164	8,245,774	8,311,617	100.8%	72.5%
2006	24,720	10,292,445	11,374,458	110.5%	73.3%
2007	29,134	12,601,201	11,678,025	92.7%	73.6%
2008	34,769	16,061,049	13,327,531	83.0%	73.8%
2009	36,595	18,789,146	17,523,007	93.3%	75.0%
2010	27,645	16,019,444	12,041,708	75.2%	75.7%
Total	174,029	82,009,058	74,256,346	90.5%	74.2%

**12-Month Experience (200910 - 201009) for All Closed Blocks of Business**  
*(Inforce Business Only)*

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual/Proj Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	21,163,653	16,630,786	78.6%	75.5%
201010 - 201003	Projected	26,395,021	20,479,140	77.6%	75.6%

**Assumptions:**

Annual Claim Cost Trend: 11.5%  
Annual Discount Rate: 6.0%  
Valuation Date: 12/31/2010  
Proposed Nationwide Rate Increase:

April 1, 2011: 4.0%  
July 1, 2011: 6.0%  
October 1, 2011: 6.0%  
Health Care Reform Impact on Claims: 7.0%

**NOTES:**

- a) Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- b) 2010 Actual entries include 9 months of actual experience.

## Exhibit Two

### Celtic Insurance Company Form G5-544-00156 ValueOne 1.1 Health Plan

#### California Experience Analysis

Current California All Closed Blocks Combined Inforce (12/2010):

26

#### Actual Premium and Claims Experience All Closed Blocks of Business Combined: (Inforce Business Only)

<u>Year</u>	<u>Member Months</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>	<u>Expected Loss Ratio</u>
2005	154	98,973	174,507	176.3%	75.2%
2006	170	118,787	161,942	136.3%	76.4%
2007	221	138,811	91,372	65.8%	75.5%
2008	297	194,063	75,275	38.8%	74.5%
2009	324	233,672	279,475	119.6%	76.0%
2010	243	176,648	122,389	69.3%	76.5%
Total	1,409	960,954	904,960	94.2%	75.7%

#### 12-Month Experience (200910 - 201009) for All Closed Blocks of Business Combined: (Inforce Business Only)

<u>Year</u>	<u>Status</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual/Proj Loss Ratio</u>	<u>Expected Loss Ratio</u>
200910 - 201009	Actual	260,821	180,961	69.4%	72.0%
201010 - 201003	Projected	341,861	220,524	64.5%	72.0%

#### Assumptions:

Annual Claim Cost Trend: 11.5%  
Annual Discount Rate: 6.0%  
Valuation Date: 12/31/2010  
Proposed California Rate Increase:

April 1, 2011: 8.0%  
July 1, 2011: 0.0%  
October 1, 2011: 0.0%  
Health Care Reform Impact on Claims: 7.0%

#### NOTES:

- a) Study based on premium and claim data through 9/30/2010 as of 12/31/2010.
- b) 2010 Actual entries include 9 months of actual experience.
- c) For 12-Month Experience Incurred Claims, claims above \$50,000 are pooled Nationwide

**Exhibit Three**

**Celtic Insurance Company  
Form G5-544-00156  
ValueOne 1.1 Health Plan**

**California Experience Analysis and Projections**

**Table One: Statewide and Nationwide Inforce Policyholders and Credibility Factor**

	(A) All Closed Blocks of Business Inforce (12/2010)	(B) All Closed Blocks of Business EP (200910-201009)	(C) Credibility Threshold	$\min[1, (B)/(C)]$ Credibility Factor*
<b>California</b>	26	260,821	3,000,000	9%
<b>Nationwide</b>	3,068	21,163,653		

\* adjustment calculation for credibility factor is explained below.

**Table Two: Future Projections at Current Statewide Volumes and Rates as of the End of 2010**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	342,181	342,181	342,181	342,181	342,181
Projected Claims:	226,608	232,710	238,980	245,423	235,930
Actual LR:	66.2%	68.0%	69.8%	71.7%	68.9%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.919	0.944	0.970	0.996	0.957

**Table Three: Future Projections at Current Statewide Volumes and Proposed Rates for 2011**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	369,530	369,530	369,530	369,530	369,530
Projected Claims:	226,608	232,710	238,980	245,423	235,930
Actual LR:	61.3%	63.0%	64.7%	66.4%	63.8%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.851	0.874	0.898	1.055	0.886

**Table Four: Future Credible Projections at Current Statewide Volumes and Rates as of the End of 2010**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	342,181	342,181	342,181	342,181	342,181
Projected Claims:	256,812	263,727	270,833	278,135	267,377
Actual LR:	75.1%	77.1%	79.1%	81.3%	78.1%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	1.042	1.070	1.099	1.129	1.085

\* adjustment calculation for credibility factor is explained below.

**Table Five: Future Credible Projections at Current Statewide Volumes and Proposed Rates for 2011**

YRMO	4/1/2011	7/1/2011	10/1/2011	1/1/2012	Average
Current Premiums:	369,530	369,530	369,530	369,530	369,530
Projected Claims:	256,812	263,727	270,833	278,135	267,377
Actual LR:	69.5%	71.4%	73.3%	75.3%	72.4%
Expected LR:	72.0%	72.0%	72.0%	72.0%	72.0%
Actual / Expected:	0.965	0.991	1.018	1.045	1.005

\* adjustment calculation for credibility factor is explained below.

**Assumptions:**

See assumptions in Exhibit One.

**Credibility Adjusted Benefit Calculation**

The projected benefits shown in Tables Four and Five above are calculated based on the following method:

Z = credibility factor calculated in Table One

Ca = Statewide Projected Claims from Table Two

Na = Nationwide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Ne = Nationwide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit One

Sa = Statewide Projected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Se = Statewide Expected Loss Ratio for the 12-Month Period (200910 - 201009) from Exhibit Two

Credibility Adjusted Benefits =  $Z * Ca + (1-Z) * (Na/Ne) / (Sa/Se) * Ca$

K:\ACT\DATA\PRICING\FILINGS\2011\

CA-Exhibits201012rev.xls

## California Filing Requirements Effective January 1, 2011

The following is a list of the additional specific rate filing requirements pursuant to California Insurance Code 10181.3.

(a) (1) All health insurers shall file with the department all required rate information for individual and small group health insurance policies at least 60 days prior to implementing any rate change.

(2) For Individual health insurance policies, the filing shall be concurrent with the notice required under Section 10113.9

(3) For small group health insurance policies, the filing shall be concurrent with the notice required under Section 10199.1.

(b) An insurer shall disclose to the department all of the following for each individual and small group rate filing:

(1) Company name and contact information.

Celtic Insurance Company  
Randall Jones, Vice President, Actuary, (312) 332-8576  
233 S. Wacker Dr., Suite 700  
Chicago, IL 60606  
[Rjones@celtic-net.com](mailto:Rjones@celtic-net.com)

(2) Number of policy forms covered by the filing.

See item (3) below for the 3 policy forms covered by this filing for the combined **closed blocks of business**.

(3) Policy form numbers covered by the filing.

The following are the 3 policy forms covered by this filing:

<u>Policy Forms</u>	<u>Products</u>
G5-541-00041	CeltiCare 1.0/2.0/2.1
G5-543-00145	CeltiCare 3.1 and CeltiCare II
G5-544-00156	ValueOne 1.1

(4) Product type, such as indemnity or preferred provider organization.

**CeltiCare 1.0/2.0/2.1 - G5-541-00041**

This product offers Indemnity, Any Doc and Fully Steered PPO plans.

**CeltiCare 3.1 - G5-543-00145**

This product offers Indemnity, Any Doc and Fully Steered PPO plans.

**CeltiCare II - G5-543-00145**

This product offers Indemnity, Any Doc and Fully Steered PPO plans.

**ValueOne 1.1 - G5-544-00156**

This product offers a Fully Steered PPO plan.

(5) Segment type.

Individual

(6) Type of insurer involved, such as for profit or not for profit.

Celtic Insurance is a for profit company.

(7) Whether the product are opened or closed.

This product is a closed block of business.



## California Filing Requirements Effective January 1, 2011

(8) Enrollment in each policy and rating form.

Inforce data is as of 12/31/2011

<u>Policy Forms</u>	<u>Rider Forms</u>	<u>Products</u>	<u>Inforce Certs</u>
G5-541-00041	G5-593-00044-CA	CeltiCare 1.0/2.0/2.1	12
G5-543-00145	G5-596-00146-CA	CeltiCare 3.1	1
G5-543-00145	G5-592-00192-CA	CeltiCare II	12
G5-544-00156	G5-596-00157	ValueOne 1.1	1

(9) Insured months in each policy form.

Below is the number of insured months of the inforce left in the closed blocks of business for the 12-month period (10/2009-09/2010).

<u>Policy Forms</u>	<u>Products</u>	<u>For 12-month period Insured Months (10/2009-09/2010)</u>
G5-541-00041	CeltiCare 1.0/2.0/2.1	120
G5-543-00145	CeltiCare 3.1 and CeltiCare II	144
G5-544-00156	ValueOne 1.1	12

(10) Annual rate.

The following is a comparison of estimated average annual premium per policy:

<u>G5-541-00041 (CeltiCare 1.0/2.0/2.1)</u>			<u>G5-543-00145 (CeltiCare 3.1)</u>	
Date	Nationwide	California	Nationwide	California
Prior to 1/1/11	10,787	13,906	5,626	9,145
1/1/11 - 3/31/11	11,816	15,018	6,117	9,876
4/1/11 - 6/30/11	12,367	16,220	6,426	10,666
7/1/11 - 9/30/11	12,958	16,220	6,725	10,666
10/1/11 - 12/31/11	13,577	16,220	7,038	10,666

<u>G5-543-00145 (CeltiCare II)</u>			<u>G5-544-00156 (ValueOne 1.1)</u>	
Date	Nationwide	California	Nationwide	California
Prior to 1/1/11	4,923	6,677	2,709	4,700
1/1/11 - 3/31/11	5,325	7,211	2,897	5,076
4/1/11 - 6/30/11	5,657	7,788	3,014	5,482
7/1/11 - 9/30/11	5,902	7,788	3,135	5,482
10/1/11 - 12/31/11	6,157	7,788	3,260	5,482

(11) Total earned premiums in each policy form.

The Total 12-Month (200910 - 201009) earned premiums for statewide and nationwide for each policy forms are as follows and the totals are also reflected in Exhibits One and Two. These are inforce policies only.

<u>Policy Forms</u>	<u>Products</u>	<u>California</u>	<u>Nationwide</u>
G5-541-00041	CeltiCare 1.0/2.0/2.1	208,098	12,221,472
G5-543-00145	CeltiCare 3.1 and CeltiCare II	48,709	6,916,930
G5-544-00156	ValueOne 1.1	4,015	53,024
N/A	Adults 1.0/2.0, Celtic Saver 1.0/1.1, Kids 1.0, Mandated, Elite, HSA 1.0	0	1,972,227
Total Earned Premium		260,821	21,163,653

## California Filing Requirements Effective January 1, 2011

(12) Total incurred claims in each policy form.

The Total 12-Month (200910 - 201009) incurred claims for statewide and nationwide for each policy forms are as follows and the totals are also reflected in Exhibits One and Two. These are inforce policies only.

<u>Policy Forms</u>	<u>Products</u>	<u>California</u>	<u>Nationwide</u>
G5-541-00041	CeltiCare 1.0/2.0/2.1	129,147	10,688,717
G5-543-00145	CeltiCare 3.1 and CeltiCare II	51,815	4,263,141
G5-544-00156	ValueOne 1.1	0	3,326
N/A	Adults 1.0/2.0, CeltiC Saver 1.0/1.1, Kids 1.0, Mandated, Elite, HSA 1.0	0	1,675,602
Total Incurred Claims		180,961	16,630,786

(13) Average rate increase initially requested.

The original submission to the state was on 2/1/2011, initially requesting a total of 16.9% for 2011. The following quarterly rate increases initially requested are as follows:

<u>Effective Date</u>	<u>Rate Increase</u>
April 1, 2011	4.0%
July 1, 2011	6.0%
October 1, 2011	6.0%

(14) Review category: initial filing for new product, filing for existing product, or resubmission.

This is a resubmission of an informational rate revision filing for an existing product.

(15) Average rate increase and (16) Effective date of rate increase.

We are now requesting a rate increase of 8.0% for effective April 1, 2011

<u>Effective Date</u>	<u>Rate Increase</u>
April 1, 2011	8.0%

(17) Number of policyholders or insureds affected by each policy form.

The data below is as of 12/31/2010.

<u>Policy Forms</u>	<u>Products</u>	<u>Number of Policyholders</u>
G5-541-00041	CeltiCare 1.0/2.0/2.1	12
G5-543-00145	CeltiCare 3.1	1
G5-543-00145	CeltiCare II	12
G5-544-00156	ValueOne 1.1	1

(18) The insurer's overall annual medical trend factor assumptions in each rate filing for all benefits and by aggregate benefit category, including hospital inpatient, hospital outpatient, physician services, prescription drugs and other ancillary services, laboratory and radiology. An insurer may provide aggregated additional data that demonstrates or reasonably estimates year-to-year cost increases in specific benefit categories in major geographic regions of the state. For purposes of this paragraph, "major geographic region" shall be defined by the department and shall include no more than nine regions.

Trend assumptions are discussed in the Trend Assumption section and shown in Exhibit Two. We used an annual medical trend assumption of 11.5%. The medical trend component is 9.35% and the insurance trend component is 2.15%.

## California Filing Requirements Effective January 1, 2011

An analysis of per policy per month claim costs for our older closed blocks is shown below. The blocks were chosen to avoid distortion of the average claim costs from our leaner benefit new products.

### Celtic Insurance Company

#### Trend Analysis - Closed Blocks

Year	<u>Nationwide</u>	Yearly Increase	Average Yearly Incr 2006 to Sept 2010
	Claims Cost per policy per month		
2006	252.09	16.1%	
2007	250.10	-0.8%	
2008	307.79	23.1%	
2009	417.90	35.8%	17.8%
2010 Sep	441.09	5.5%	16.1%

This analysis supports a higher trend assumption than the 11.5% we are using. Because of the small size of our block we have supplemented our claims data with results from Oliver Wyman's Carrier Trend Report for July 2011. That report shows average carrier individual medical PPO trends of 10.95% and prescription drug trends of 10.95%. This weights to 10.95% for our combined medical and drug claims. Because of credibility issues with our data, we have weighted the Oliver Wyman trend at 90% and our experience trend at 10% to arrive at an 11.5% annual trend assumption. In addition, our annual trend assumptions are also based on various indices and published journals from Consumer Price Index, Buck Consultants' Trend Survey and Milliman Health Cost Index.

(19) The amount of the projected trend attributable to the use of services, price inflation, or fees and risk for annual policy trends by aggregate benefit category, such as hospital inpatient, hospital outpatient, physician services, prescription drugs and other ancillary services, laboratory, and radiology.

Based on the Milliman 2008 Health Cost Guidelines,

#### Below is the itemized trend component used in pricing:

<u>Medical and Rx Trend (Total)</u>	9.35%
Medical provider price increase	6.00%
Utilization changes	1.85%
Medical cost shifting	1.00%
Medical procedures and new technology	0.50%

<u>Insurance Trend (Total)</u>	2.15%
Deductible leveraging	2.15%

Total Average Annualized Trend	11.50%
--------------------------------	--------

(20) A comparison of claims cost and rate changes over time.

Below is a comparison of claims cost per member per month and yearly cost changes for Nationwide and California.

#### NATIONWIDE - CLOSED BLOCKS

Year	Inurred Claims	Exposure Months	Claims Cost per policy per month	Yearly Changes 2006 - Sept 2010	Avg. Yearly Increase
2005	69,578,230	320,567	217.05		
2006	57,344,676	227,480	252.09	16.1%	
2007	43,281,739	173,056	250.10	-0.8%	
2008	39,728,525	129,078	307.79	23.1%	
2009	32,995,572	78,956	417.90	35.8%	17.8%
2010 Sep	16,534,293	37,485	441.09	5.5%	16.1%

#### CALIFORNIA - CLOSED BLOCKS

Year	Inurred Claims	Exposure Months	Claims Cost per policy per month	Yearly Changes 2006 - Sept 2010	Avg. Yearly Increase
2005	416,665	2,251	185.11	-40.3%	
2006	309,482	1,572	196.84	6.3%	
2007	463,986	1,377	336.88	71.1%	
2008	304,190	1,252	242.91	-27.9%	
2009	601,746	770	781.85	221.9%	51.2%
2010 Sep	189,277	347	546.25	-30.1%	39.6%

## California Filing Requirements Effective January 1, 2011

(21) Any changes in insured cost-sharing over the prior year associated with the submitted rate filing.

The only cost-sharing benefit changes are due to the Health Care Reform requirements. Below are the Health Care Reform benefit (including cost-sharing) changes.

### Coverage of preventive services with no cost sharing

Preventive Benefits are covered on a first dollar basis with no cost sharing:

- a. Evidence-based items or services that have in effect a rating of 'A' or 'B' in the current recommendations of the United States Preventive Services Task Force
- b. Immunizations that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention with respect to the individual involved
  - I. Diphtheria, Pertussis and Tetanus
  - II. Anthrax
  - III. Measles, Mumps, Rubella and Varicella (Chickenpox)
  - IV. Hib
  - V. Hepatitis A
  - VI. Hepatitis B
  - VII. HPV
  - VIII. Influenza (H1N1)
  - IX. Influenza (Seasonal)
  - X. Japanese encephalitis
  - XI. Meningococcal disease
  - XII. Plague
  - XIII. Pneumococcal
  - XIV. Polio
  - XV. Rabies
  - XVI. Rotavirus
  - XVII. Smallpox
  - XVIII. Typhoid
  - XIX. Yellow fever
  - XX. Zoster
- c. With respect to infants, children, and adolescents, evidence-informed preventive care and screenings provided for in the comprehensive guidelines supported by the Health Resources and Services Administration
- d. With respect to women, such additional preventive care and screenings not described in paragraph (a.) as provided for in comprehensive guidelines supported by the Health Resources and Services Administration for purposes of this paragraph
- e. For the purposes of this Act, and for the purposes of any other provision of law, the current recommendations of the United States Preventive Service Task Force regarding breast cancer screening, mammography, and prevention shall be considered the most current other than those issued in or around November 2009

### No lifetime or annual maximums on essential health benefits

Celtic policies have an unlimited lifetime maximum. Mental & Nervous, transplants benefits are unlimited.

### Pre-existing condition elimination riders removed on insureds under age 19

Celtic cannot decline children under 19. Elimination riders can not be used for new enrollees or existing enrollees.

Pursuant to California's regulation, Celtic may apply a rating adjustment to the child rate up to two times for health status during the enrollment periods and more than two times (Celtic will apply five times) for health status outside the enrollment periods. This child rate may be subject to a 20 percent surcharge above the highest allowable rate on a child applying for coverage who is not a late enrollee and who failed to maintain coverage with any health plan or insurer for the 90-day period prior to the date of the child's application. The 20 percent surcharge applies for the 12-month period following the effective date of the child's coverage.

(22) Any changes in insured benefits over the prior year associated with the submitted rate filing.  
See item 21 above.

(23) The certification described in subdivision (b) of Section 10181.6  
Please see attached certification from an independent actuary included in this rate filing package.

(24) Any changes in administrative costs.

There are no changes in the administrative costs for the closed blocks of business.

## California Filing Requirements Effective January 1, 2011

(25) Any other information required for rate review under PPACA.

Various provisions of Health Care Reform are expected to have an immediate impact on claims levels. For the closed blocks, these include restrictions on guaranteed issue (2.1%) and pre-existing conditions limitations on insureds under age 19 (0.4%), new claims appeal and review guidelines (0.5%), coverage of preventive services with no cost sharing (3.0%), extended coverage of dependents to age 26 (0.5%), no lifetime or annual maximums on essential health benefits (0.5%). Some of the regulations clarifying the provisions have not been finalized. We expect the overall impact of these provisions will raise claims by at least 7%. We have added 7% to the projected claims in deriving these requested rate increases.

(c) An insurer subject to subdivision (a) shall also disclose the following aggregate data for all rate filings under this section in the individual and small group health insurance markets:

(1) Number and percentage of rate filings reviewed by the following: (A) Plan year, (B) Segment Type, (C) Product type, (D) Number of policyholders, and (E) Number of covered lives affected.

Inforce data below is as of 12/31/2011.

Plan Year	Product Group	Number of Policyholders	Number of PPO Inforce	Number of Covered Lives
2011	Closed Blocks Inforce	26	21	29
2011	Open Blocks Inforce	265	257	345

(2) The insurer's average rate increase by the following categories:

(A) Plan year, (B) Segment type and (C) Product type.

For the closed blocks of business, a rate increase of 8.0% for effective 1/1/2011 was taken and we are proposing a rate increase of 8.0% for effective 4/1/2011 in this filing.

Plan Year	Product Group	Average Annual Rate Increase in 2011	Proposed Average Rate Increase Eff 4/1/2011
2011	Closed Blocks	16.6%	8.0%

For the open blocks of business, a rate increase of 9% for 1/1/2011 was taken and we are proposing a rate increase of 3% for effective 4/1/2011 in this filing.

Plan Year	Product Group	Average Annual Rate Increase in 2011	Proposed Average Rate Increase Eff 4/1/2011
2011	Open Blocks	12.3%	3.0%

(3) Any cost containment and quality improvement efforts since the insurer's last rate filing for the same category of health benefit plan. To the extent possible, the insurer shall describe any significant new health care cost containment and quality improvement efforts and provide an estimate of potential savings together with an estimated cost or savings for the projection period.

None.

(d) A health insurer shall submit any other information required under PPACA. A health insurer shall also submit any other information required pursuant to any regulation adopted by the department to comply with this article.

Celtic is in compliance with I-SB 1163, as required by the State of California.

# CALIFORNIA DOCUMENT SUBMISSION FORMSET

[Reset Form](#)

<b>California Insurer Number:</b> <span style="font-size: 1.2em;">1488-6</span> (NOT NAIC Number)		FOR DEPARTMENT USE ONLY		
<b>Official Insurer Name:</b> Celtic Insurance Company		Our File #		Fee Code:
<b>Submitter and Complete Mailing Address:</b> Daniel Martinez 233 S. Wacker Dr Suite 700 Chicago, IL 60606		Reviewer:		
<b>Submission Date:</b> 1/31/2011		Dept Action Date:		
<b>Document Form Number</b>	<b>Doc Type</b> ( <i>"Policy," etc</i> )	Document Coverage	Department Action	Fee
1	G5-544-00156 Value One	Actuarial Memorandum -Rates		
2	G5-543-00145 CeltiCare II	Actuarial Memorandum -Rates		
3	G5-541-00041 CeltiCare 1.0/2.0/2.1	Actuarial Memorandum -Rates		
4	G5-543-00145 CeltiCare 3.1	Actuarial Memorandum -Rates		
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
INSTRUCTIONS: Complete the part of the form to the left of the double vertical line. Enter one document to a numbered line. Use additional formsets if necessary. Be accurate - the copy of this form that we return to you will be your only record of our action on your submission. <b>THIS IS NOT A BILL - DO NOT PAY. YOU WILL RECEIVE A SEPARATE FILING FEE INVOICE SHORTLY; REMIT FEES ONLY WITH THAT INVOICE.</b>				<b>Total \$</b>  Cont'd on ___ pages

DSF 1.35

**California Plain-Language  
Rate Filing Description**  
[for Web site posting, Health & Safety  
Code 1385.07(d), Insurance Code 10181.7(d)]

**Company Name:**

Celtic Insurance Company

**SERFF Tracking Number**

CELT-127073716

**Department File Number:** (will be completed by Department)

**1. Justification for any unreasonable rate increases.**

(Include all information as to why the rate increase is justified. Attach supporting documentation to this PDF file)

The actual loss ratio we are projecting for 2011 for the Closed Blocks with an HCR adjustment of 7% and the requested rate increase, is 72.4% (refer to Exhibit Three, Table Five, last column, Actual LR row), which is above the 70% lifetime anticipated loss ratio prescribed by section 2222.12.

Combining the open and closed blocks gives a loss ratio of 71.4%:

Closed Blocks:  $72.4\% \times 369,530 = 267,540$

Open Blocks:  $70.0\% \times 556,601 = 389,621$

$(267,540 + 389,621) / (369,530 + 556,601) = 71.4\%$

Note that we also have a small block of individual conversion policies that is expected to run at around a 150% loss ratio, but we have not included that in the numbers above.

Based on the number of lives we have in CA (374 lives at 12/2010), our CA Individual business is not credible, according to the HCR standard, it complies with the federal standard. Even using the credibility factors at 1,000 lives, we have a 10.5% Additive Factor to the combined projected loss ratio above ( $71\% + 10.5\% = 81.5\%$ ), higher than the 80%, adjusted down for 75% for taxes and quality improvement activities.

## 2) Overall annual medical trend factor assumptions for all benefits

Below is the itemized trend component used in pricing:

Medical and Rx Trend (Total) 9.35%  
Medical provider price increase 6.00%  
Utilization changes 1.85%  
Medical cost shifting 1.00%  
Medical procedures and new technology 0.50%

Insurance Trend (Total) 2.15%  
Deductible leveraging 2.15%

Total Average Annualized Trend 11.50%



### 3) Actual Costs by Aggregate Benefit Category

Hospital Inpatient,	Dollar Cost: \$8,111
	Cost as Percentage of Medicare: N/A
Hospital Outpatient (including ER)	Dollar Cost: \$531
	Cost as Percentage of Medicare: N/A
Physician/other professional services	Dollar Cost: \$95
	Cost as Percentage of Medicare: N/A
Prescription Drug	Dollar Cost: \$32
	Cost as Percentage of Average Wholesale Price: N/A
Laboratory (other than inpatient)	Dollar Cost:
	Cost as Percentage of Medicare: N/A
Radiology (other than inpatient)	Dollar Cost:
	Cost as Percentage of Medicare: N/A

Other (describe)	Dollar Cost and Description: \$197 (Average Cost per preventive care visit)
------------------	--

**4) Amount of Projected Trend, by Aggregate Benefit Category, Attributable to Use of Services, Price Inflation, Fees and Risk**

Hospital Inpatient	Trend attributable to use of services: 2.35%
	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Hospital Outpatient (including ER)	Trend attributable to use of services: 2.35%
	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Physician/other professional services	Trend attributable to use of services: 2.35%
	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Prescription Drug	Trend attributable to use of services: 2.35%

	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Laboratory (other than inpatient)	Trend attributable to use of services: 2.35%
	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Radiology (other than inpatient)	Trend attributable to use of services: 2.35%
	Trend attributable to price inflation: 9.15%
	Trend attributable to fees and risk: 0
Other (describe)	

## 5) Other Information

A large, empty rectangular box with a thin black border, intended for providing additional information or details related to the section header.

#630302v1

**California Rate Filing Form**  
**For Individual and Small Group Health Insurance**  
**Rate Filings, Version 1**

1) Company Name:

Celtic Insurance Company
--------------------------

2) Number of policy forms covered by the filing: 3

3) Policy form numbers covered by the filing:

G5-541-00041 G5-543-00145 G5-544-00156
--

4) Product types covered by the filing. Selected from the following:

<input type="radio"/>	HMO (Health Maintenance Organization)
<input type="radio"/>	PPO (Preferred Provider Organization)
<input type="radio"/>	EPO (Exclusive Provider Organization)
<input type="radio"/>	POS (Point of Service)
<input type="radio"/>	FFS (Fee for Service)
<input checked="" type="radio"/>	Other (describe) <u>Indemnity and PPO plans</u>

5) Segment type. One of the following:

<input type="radio"/>	Large Group
<input type="radio"/>	Small Group (2-50 employees)
<input checked="" type="radio"/>	Individual

Note: Large Group, Small Group, and Individual filings should not be combined within a single filing.

6) Plan/Insurer Type. One of the following: for-profit company, not-for-profit company

<input checked="" type="radio"/>	For-profit company
<input type="radio"/>	Not-for-profit company

7) Whether the products are open or closed. List each open or closed product by policy form number.

Open products:

If all policy forms listed in response to Question 3, above are open, check here: ☐

If only some policy forms listed in Question 3 are open, list the policy form numbers of the open products:

[illegible]

Closed products:

If all products listed in response to Question 3, above are closed, check here: ☒

If only some policy forms listed in Question 3 are closed, list the policy form numbers of the closed products:

G5-541-00041 - CeltiCare 1.0/2.0/2.1  
G5-543-00145 - CeltiCare 3.1  
G5-543-00145 - CeltiCare II  
G5-544-00156 - ValueOne 1.1

8) Enrollment:

Number of lives, including dependents, as of the end of the latest month for which the data has been compiled, covered by each product (identified by all marketing names used for each policy form covered by the filing).

(For new products, the number of lives shown should be “0”).

[illegible]

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

9) Insured months in each policy form

Number of insured (or member) months for the experience period on which the rates were based. (Does not apply to rates for new products.)

[illegible]

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)



10) Annual Rate

For each product included in the filing, show the current and proposed annual premium rates for all rating cells.

[illegible]

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

- 11) Total earned premium in each policy form for the experience period on which the rates are based. (Does not apply to rates for new products.)

Policy form number	Total earned premium
G5-541-00041	CA- 208098, Nationwide-12221472
G5-543-00145	CA-48709, Nationwide-6916930
G5-543-00156	CA-4015, Nationwide-53024

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

- 12) Total dollar amount of incurred claims in each policy form for the experience period on which the rates are based. (Does not apply to rates for new products.)

If helpful to understanding the basis for the filed rate increases, the insurer may, but is not required to, disaggregate incurred claim data into the aggregate benefit categories listed in item 18 below. If you choose to disaggregate, please do so on a separate page attached to the PDF of this filing form, identifying this question number.

Policy form number	Total incurred claims
G5-541-00041	CA-129147, Nationwide-10688717
G5-543-00145	CA-51815, Nationwide-4263141
G5-544-00156	CA-0, Nationwide-3326

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

13) Average rate increase initially requested

The weighted average of the proposed rate increases included in the filing, weighting the increases by the number of covered lives for each product (per item 8, above). Rates for new products are not included in this calculation, as they have a weight of zero. (Does not apply to rates for new products.)

[illegible]

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

14) Review category: One of the following:

<input type="radio"/>	Initial Filing for New Product
<input type="radio"/>	Filing for Existing Product
<input checked="" type="radio"/>	Resubmission

Resubmissions should be submitted through SERFF under the same state filing number and SERFF tracking number assigned to the original submission of this filing. Do not submit resubmissions as a new filing.

15) Average rate of increase

In those instances in which there is a revision to the rates requested after initial submission, the revision should be submitted as an amendment to the original submission of this filing under the rate/rule form tab. Also, in the case of a resubmission, update the information under the "company rate information" field under the "Rate/Rule Schedule" tab in SERFF. The average rate of increase is a weighted average, calculated as in item 13, above. (Does not apply to rates for new products.)

Policy Form Number	Marketing Name	Weighted Average
G5-541-00041	CeltiCare 1.0/2.0/2.1	8%
G5-543-00145	CeltiCare 3.1	8%
G5-543-00145	CeltiCare II	8%
G5-544-00156	ValueOne 1.1	8%

(If additional space is needed, see question 26. Check this box if additional space is used. ☐)

16) Effective date of rate increase: 4/1/2011

The earliest anticipated date that the proposed rate increase, or new product rate, will take effect for a policyholder. (Does not apply to rates for new products.)

17) Number of policyholders or insureds affected by each policy form

Same as item 8, above. (Does not apply to rates for new products.)

18) Overall medical trend factor and trend factors by aggregate benefit category:

**Overall Medical Trend Factor**

“Overall” means the weighted average of trend factors used to determine rate increases included in the filing, weighting the factor for each aggregate benefit category by the amount of projected medical costs attributable to that category.

11.5%

**Medical Trend Factor by Aggregate Benefit Category**

The aggregate benefit categories are each of the following – hospital inpatient, hospital outpatient (including emergency room), physician and other professional services, prescription drugs from pharmacies, laboratory services (other than hospital inpatient), radiology services (other than hospital inpatient), other (describe).

Hospital Inpatient	11.5%
Hospital Outpatient (including ER)	11.5%
Physician/other professional services	11.5%
Prescription Drug	11.5%
Laboratory (other than inpatient)	11.5%
Radiology (other than inpatient)	11.5%
Other (describe)	

### Optional Medical Trend Factor by Aggregate Benefit Category by Geographic Region

The insurer may, but is not required to, aggregate additional data in major geographic regions of the state. If the insurer chooses to so aggregate, the major geographic regions of the state are: Northern California (consisting of Monterey, Kings, Tulare, and Inyo counties, and all counties to the north), and Southern California (consisting of San Luis Obispo, Kern, and San Bernardino counties, and all counties to the south).

	North	South
Hospital Inpatient		
Hospital Outpatient (including ER)		
Physician/other professional services		
Prescription Drug		
Laboratory (other than inpatient)		
Radiology (other than inpatient)		
Other (describe)		

#### 19) Projected medical trend

Use the same aggregate benefit categories used in item 18 –hospital inpatient, hospital outpatient (including emergency room), physician and other professional services, prescription drugs from pharmacies, laboratory services (other than hospital inpatient), radiology services (other than Hospital inpatient), other (describe). Furthermore, within each aggregate category quantify the sources of trend, i.e. actual-to-expected claim costs over the prior rating period, utilization of medical services, cost of medical services, plan design, risk factors, demographic factors, and administrative and other non-claim expenses.

### Projected Medical Trend by Aggregate Benefit Category

Hospital Inpatient	11.5%
Hospital Outpatient (including ER)	11.5%
Physician/other professional services	11.5%
Prescription Drug	11.5%
Laboratory (other than inpatient)	11.5%
Radiology (other than inpatient)	11.5%
Other (describe)	

20) Comparison of claims cost and rate of changes over time

For each proposed rate increase, provide the projected annualized incurred claims cost per insured for the period covered by the proposed rate, the historical incurred claims cost per insured for the most recent 12 months of the experience period on which the rates were based, and, if available, the historical incurred claims cost per insured for the next two most recent 12 month periods. Also, compare the rate of change of claims costs over all of the projected and historical periods for which information is provided. Show all claim costs according to aggregate benefit category. (Does not apply to rates for new products.)

The projected annualized incurred claim cost per insured for the period covered by the proposed rate based on the 12-month period of 10/2009-09/2010 is \$11,625.09. (\$267,377 /23 exposure yrs).

Historical claim costs PMPM for Nationwide:

2005 - \$ 217.05

2006 - 252.09

2007 - 250.10

2008 - 267.70

21) Describe any changes in enrollee/insured cost-sharing, compared to the prior year, associated with the submitted rate filing, and quantify the impact of each change on each of the rates included in the filing. (Does not apply to rates for new products.)

The only cost-sharing benefit changes are due to the Health Care Reform requirements. Below are the Health Care Reform benefit (including cost-sharing) changes:

Coverage of preventive services with no cost sharing

Preventive Benefits are covered on a first dollar basis with no cost sharing:

- a. Evidence-based items or services that have in effect a rating of 'A' or 'B' in the current recommendations of the United States Preventive Services Task Force
- b. Immunizations that have in effect a recommendation from the Advisory Committee on Immunization Practices of the Centers for Disease Control and Prevention with

22) Describe any changes in enrollee/insured benefits, compared to the prior year, associated with the submitted rate filing, and quantify the impact of each change on each of the rates included in the filing. (Does not apply to rates for new products.)

See item 21 above.





26) Blank form if additional spaces needed.

If additional space is needed to respond to a question, use the form below. Note the question number, and insert column headings as appropriate. If further space is needed, use PDF generating software to copy this page and insert the copy at the end of this document.

[illegible]



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June 03, 2011

Randall S. Jones, FSA, MAAA  
Vice President and Actuary  
Celtic Insurance Company  
233 South Wacker Drive, Suite 700  
Chicago, IL 60606-6393

***RE: California Rate Filing – Closed Block: Independent Actuarial Certification***

Please find enclosed an Independent Actuarial Certification for Celtic's California rate filing on group discretionary trust policy forms G5-541-00041, G5-543-00145, and G5-544-00156. This filing includes product options for these policy forms that are no longer available for sale to new business.

Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads 'Margaret Chance'.

Margaret A. Chance, FSA, MAAA  
Consulting Actuary

Copy: Jim O'Connor, Milliman  
Dorothy Foerster, Celtic

MAC:jmf

C:\091CLH\110018 California Rate Certifications\Transmittals\Final\_20110603\TransmittalLetter\_Closed\_20110603.docx

**Actuarial Certification****Policy Forms G5-541-00041, G5-543-00145, G5-544-00156****QUALIFICATIONS**

I, Margaret A. Chance, am a member of the American Academy of Actuaries and meet its qualification standards for actuaries issuing statements of actuarial opinions in the United States. This actuarial certification is prepared on behalf of Celtic Insurance Company (the "Company") to comply with California Insurance Code section 10181.6 (b) (2). It may not be appropriate to use for other purposes.

I am affiliated with Milliman, Inc. ("Milliman") an independent actuarial consulting firm that is not affiliated with, nor a subsidiary, nor in any way owned or controlled by a health plan, health insurer or a trade association of health plans or insurers.

**SCOPE**

This actuarial certification, prepared at the request of the Company, discusses its rate filings for the various health plan policies noted below. The proposed rates included in this filing will be effective on their next semi-annual renewal date on or after the rate effective date, subject to an initial 12-month rate guarantee for certificates in their first policy year.

The proposed rates represent an average premium increase as indicated in the following table.

<b>CELTIC INSURANCE COMPANY</b>			
<b>PROPOSED AVERAGE RATE INCREASES BY POLICY FORM</b>			
<b>Policy Form</b>	<b>Product Option</b>	<b>Avg. Rate Increase</b>	<b>Effective Date<sup>4</sup></b>
G5-541-00041 <sup>1</sup>	CelticCare 1.0/2.0/2.1	8.0%	04/01/2011
G5-543-00145 <sup>2</sup>	CelticCare 3.1 and CeltiCare II	8.0%	04/01/2011
GS-544-00156 <sup>3</sup>	ValueOne 1.1	8.0%	04/01/2011

<sup>1</sup> Also includes rider form GS-593-00044-CA

<sup>2</sup> Also includes rider forms GS-596-00146-CA and GS-592-00192-CA

<sup>3</sup> Also includes rider form GS-596-00157

<sup>4</sup> For existing business, 4% will be implemented effective 4/1/11 and the remainder on 10/1/11

These plans are group discretionary trust policy forms with certificates available for sale to individual members and their dependents. As these are group policy forms, the Company has historically followed the applicable regulations for large group business in California. I understand that in conjunction with this rate filing, the Company has been in discussions with the California Department of Insurance (CDI) as to the applicability of statutes and regulations related to Individual medical business for these plans. As requested by the Company, I prepared this actuarial certification based on the required criteria for Individual health plans

This statement of opinion complies with the Actuarial Standards of Practice No. 8 and No. 41, promulgated by the Actuarial Standards Board.

**RELIANCE**

I have relied upon information and data provided by Mr. Randall S. Jones, FSA, MAAA, Vice President and Actuary at the Company. While I reviewed the information for reasonableness, I did not audit the

**Actuarial Certification**

**Policy Forms G5-541-00041, G5-543-00145, G5-544-00156**

underlying data for correctness. Attachment A contains Statement Regarding Accuracy and Completeness of the Underlying Data Sources provided to me as part of my review, and forms a part of this opinion.

**ACTUARIAL SOUNDNESS OF RATES**

In my opinion, the proposed premium rates are actuarially sound in the aggregate. The premium rates for business in California, including reinsurance recoveries, support expected health benefit costs, settlement costs, marketing and administrative expenses, and cost of required capital as provided by the Company.

**DATA, ASSUMPTIONS, AND METHODOLOGY**

*Data and Historical Experience*

Information and data received from the Company and used in my review of the rate filings included historical premiums, incurred claims, and number of certificates in force for each policy form for both nationwide and for California only. We also received a summary of prior rate increases on each form, as well as current premium rate sheets and those including the proposed new rates for each policy form and product option.

*Proposed Rate Increase Development and Methodology*

Rate increases for this block of business were developed on a nationwide basis, with adjustments for California experience, as appropriate. Attachment B provides a summary of historical and projected experience, with and without the proposed rate increase, illustrating the development and reasonability of proposed increase in California.

*Assumptions*

Assumptions used in the development of projected values and proposed rates were reviewed for reasonability. Assumptions were disclosed in the filing memoranda and materials submitted to the Department of Insurance by the Company. Please refer to the "Testing Procedures" section of this memorandum for additional detail regarding my review of the rate development and underlying assumptions and data.

*Premium Rating Algorithms and Rate Factors*

A complete description of the rating algorithm for each policy form is provided in the actuarial memoranda submitted by the Company in this rate filing. Only the trend factors included in the rating algorithm are proposed to be changed. No other modifications to rating factors are proposed.

Actuarial Certification

Policy Forms G5-541-00041, G5-543-00145, G5-544-00156

REASONABILITY OF RATE INCREASES

In my opinion, the proposed premium rate increases are reasonable. This opinion is based on my consideration of the required factors, as outlined in Section A of the SB 1163:2 Guidance, entitled "Unreasonable Rate Increases." The following provides a summary of the items I reviewed regarding each of these factors, and its use in forming my opinion of this rate increase as reasonable.

*1. Relationship of the projected aggregate medical loss ratio to the federal medical loss ratio standard.*

As outlined in 45 C.F.R. Section 158.210, the minimum medical loss ratio standard for individual health insurance, after accounting for allowable adjustments, is 80%. This standard is applicable in aggregate to an issuer's entire individual medical line of business within the state, as discussed in 45 C.F.R. Section 158.211.

Per 45 C.F.R. Section 158.230, an issuer's experience is considered to be non-credible if it is based on experience of less than 1,000 life years. Non-credible experience is presumed to meet the minimum loss ratio standards outlined in the federal regulation. Since the Company's volume of business in California in 2010 was only 359 lives, it does not exceed this threshold, and therefore the block of business is presumed to meet the federal loss ratio standard.

I understand that the Company is considering the implementation of active life reserves (ALR) with this business. In addition, though the credibility threshold in the federal standard has not been met, the Company has compared estimated medical loss ratio calculations for its Individual business to the federal standard, adjusted for ALR considerations and maximum allowable credibility adjustments. I have not participated in discussions of, nor reviewed any work related to these considerations of ALR and have not used these estimates in preparing my opinion regarding the reasonability of the proposed rate increase.

*2. Assumptions on which the rate increase is based are supported by substantial evidence.*

The Company uses a combination of historical experience and industry data to develop assumptions used to project anticipated experience and proposed rate levels. The use of industry sources, as well as nationwide data, is reasonable given the size of the block of business in California. The Company's use of historical data as available is appropriate given the credibility of the block of business. The proposed rate increases are less than expected trend for products of this type based on both Company nationwide experience and industry expectations.

*3. The choice of assumptions on or combination of assumptions on which the rate increase is based is reasonable.*

Additional information regarding the testing of assumptions and their reasonability can be found in this certification.

*4. The documentation provided to the CDI in connection with the filed rate increase is adequate in order to determine the reasonableness of the proposed rate increase.*

The documentation provided in the rate filing provides adequate information to determine the reasonability of the proposed rate increase. To the extent that additional clarification was needed for

## Actuarial Certification

## Policy Forms G5-541-00041, G5-543-00145, G5-544-00156

unclear items, the Company was able to provide this upon request. This information has been incorporated into my certification and its supporting documentation, as appropriate.

5. *The proposed rates result in rates between insureds within similar risk categories that are permissible under applicable California law, and the premium differences correspond to differences in expected claims costs between allowable risk classes.*
6. *The proposed rate increases are justified by credible experience data.*

The Company's California only business experience data is not fully credible. The proposed rate increase was developed based on a combination of nationwide and California historical experience and industry data. Industry data upon which trend assumptions were based is presumed to be credible.

Based on the credibility standards outlined in 45 C.F.R. Section 158.230, the amount of credibility, if any, assigned to California experience, is a debatable assumption. As such, I tested the impact of using only Nationwide experience in the premium rate development. Based on this testing, I find that the proposed rate increase continues to be justified. Additional details can be found in the "Testing Procedures" section below.

7. *The Company's rate of return, evaluated on a return-on-equity basis, for the prior three years, and anticipated rate of return for the following year, taking into account investment income.*

The rate of return for the Company in total for the past three years is as follows:

Year	Celtic Only	Centene Corp.
2008	13.2%	3.1%
2009	11.1%	0.9%
2010	3.6%	15.6%

The anticipated rate of return for 2011 is 15.6% for Celtic and 13.1 – 13.7% for Centene.

The calculation of the rate of return is based on post-tax net income divided by the average capital and surplus of the Company.

Note that this factor was not considered in forming my opinion of the rate increase as being reasonable.

8. *The company's employee and executive compensation*

The employee and executive compensation is part of the overall administrative expense assumed in the premium development. I did not review the compensation levels of the staff or executives and offer no opinion on the appropriateness of the compensation levels since executive compensation levels are beyond the scope of my expertise.

Note that this factor was not considered in forming my opinion of the rate increase as being reasonable.

Actuarial Certification

Policy Forms G5-541-00041, G5-543-00145, G5-544-00156

9. *The relationship of the proposed rate increases to the rate of medical cost inflation, as reported by the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers Medical Care Cost Inflation Index.*

The proposed 8.0% premium rate increase is greater than the medical care component of the CPI for 2010 of 3.4%.

While the proposed rate increase is greater than the medical costs index, material differences between the two measures provide an explanation as to the reasonability of the rate increase. The medical component of the CPI measure prices inflation at the retail level. That is, it measures the prices paid for a fixed market basket of medical goods and services.

The medical CPI is a retrospective measure and does not account for expected future spending, which is the basis for premium rate setting. The following are examples of factors that will impact expected future spending that are not included in the CPI measure:

- Increased per capita utilization of services
- Cost for new technologies
- Changes in provider practice patterns or the intensity of the service being provided
- Changes in enrollment mix
- Changes in state law governing health insurance
- Adverse selection
- Deductible leveraging effect
- Changes in provider mix and negotiated provider payment arrangement

Assumed trend used in the premium development more accurately measures expected increases in future claim costs for this block of business.

Note that this factor was not considered in forming my opinion of the rate increase as being reasonable.

10. *The cumulative impact of the filed rate in conjunction with prior increases*

The rating methodology incorporates all historical rate actions to date into the experience for use as a basis for developing the proposed rate increase. As such, the proposed rates were developed with the appropriate considerations for historical rate increases and are therefore considered to be reasonable.

11. *The insurer's surplus condition and dividend history.*

The capital and surplus levels held by the Company over the past three years and dividends paid are the following:



Year	Capital & Surplus	Dividends Paid
2008	\$22,378,227	\$31,411,000
2009	\$19,796,821	\$ 1,005,921
2010	\$20,715,222	\$ 0

Note that the Company was acquired by Centene during 2008, the settlement of which resulted in the dividend paid during that year.

Note that this factor was not considered in forming my opinion of the rate increase as being reasonable.

*12. Distribution of rate increases across policyholders*

The proposed rate increase is to be implemented uniformly among all policyholders. Consequently, it is not considered to be overly burdensome to any one group. To the extent that any one policyholder has a rate change due to existing rating components (e.g. attained age), these factors are applied equitably to all policyholders within the same classes, and there has been no proposed change in these rating factors.

*13. The nature and amounts of transactions between the filing insurer and affiliates over the prior 3 years.*

Celtic was acquired in 2008 by Centene Corporation. The dividends paid by the Company over the past 3 years are shown in the table above.

This business is impacted by certain management and service contracts with affiliates as indicated in Schedule Y of the Company's annual statements. The amounts of these transactions over the past three years are shown in the following table.

Transactions with Affiliates* (\$000 omitted)			
Transaction Type	2008	2009	2010
Dividends	\$ (31,411)	\$ (4,700)	\$ 0
Capital Contributions	\$ 0	\$ 0	\$ 0
Income Related to Undertakings with Affiliates	\$ 14,236	\$ 0	
Mgmt Agreements / Service Contracts	\$ (14,236)	\$ (13,899)	\$ (15,618)
Reinsurance Income /(Disbursements)	\$ 0	\$ 78	\$ 71
Reinsurance Recoverable (Payable)	\$ 0	\$ 0	\$ 0

\* Schedule Y of the Annual Statements

Note that this factor was not considered in forming my opinion of the rate increase as being reasonable.

**Actuarial Certification**

**Policy Forms G5-541-00041, G5-543-00145, G5-544-00156**

*14. Compliance with California Code of Regulations Title 10, Section 2222.12 (CCR)*

Section 2222.12 of the CCCR requires that for rate revisions on Individual medical business, each of the following requirements are met:

- The lifetime loss ratio is not less than 70%
- The anticipated loss ratio over the future period is not less than 70%
- The insurer's projected medical loss ratio in the individual market, calculated using the method described in 45 C.F.R. §§ 158.220-158.232, is not less than 80%

As noted above, given that these are group discretionary trust policy forms, it is unclear whether the requirements of this regulation are necessarily applicable. However, as directed by the Company based on ongoing discussions with the CDI, as a basis for my testing, I have used the loss ratio standards outlined in this regulation in preparing this actuarial certification for the proposed rates.

Our analysis indicates that these requirements are substantially met when considering the non-credibility of the experience data. Additional discussion regarding our testing of this can be found in the "Testing Procedures" section.

**TESTING PROCEDURES**

Under my direction, we reviewed the following items from the rate filing

*Development of Trend Assumption*

Celtic developed trend assumptions based on a few different sources:

- Historical experience
- Industry surveys and the Consumer Price Index
- Milliman Health Cost Guidelines

Trend for these products was developed at an aggregate level, which is reasonable for a block of business of this size. The availability of credible data at the service category level is minimal.

Celtic used industry data to estimate components of assumed aggregate trend levels such as insurance trend, price increases, and utilization. This is reasonable given that the Company does not have credible experience at this refined level to perform studies. The proposed rate development is based on aggregate trend, which is reasonable.

Celtic did not present trend variations by service category in this rate filing. While we believe that trend variations will occur by service category, we do not believe that it is unreasonable not to have utilized these types of splits in the rate development. Any segmentation done by Celtic would have been based on general relationships by service category, based on industry studies, as opposed to actual experience, since actual experience is not available with any credible volume.

I reviewed PCPM claim data and was able to reconcile the claims trend calculations as presented in the rate filing. In addition, I performed alternate trend calculations to assess the reasonability of the assumptions used.

**Actuarial Certification**

**Policy Forms G5-541-00041, G5-543-00145, G5-544-00156**

Based on my review and experience with Individual Medical products, the trend assumption of 11.5% used in this rate filing appears to be reasonable.

*Historical Experience and Development of Projected Experience*

I reviewed historical experience provided by the Company and how it was used to develop projected claims and revenue at current and proposed rate levels. This review work is summarized in Attachment A.

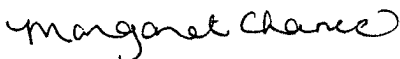
*Proposed Rate Increase Compared to Projected and Target Loss Ratios*

I reviewed the proposed rate increase and resulting projected loss ratios relative to target loss ratios. This review work is summarized in Attachment A.

*Projected Lifetime and Anticipated Loss Ratios and Regulatory Requirements*

As noted above, given that these are group discretionary trust policy forms, it is unclear that the requirements of Section 2222.12 of the CCCR are necessarily applicable. However, as directed by the Company based on ongoing discussions with the CDI, as a basis for my testing, I have used the loss ratio standards outlined in this regulation in preparing this actuarial certification for the proposed rates.

I performed an independent calculation of the projected lifetime and anticipated future loss ratio values, with consideration for the limited credibility of the experience data. Lifetime loss ratios were based on historical experience back to 2005, as provided by the Company. Our findings indicate that the 70% loss ratio standard for both lifetime and future loss ratio requirements are met.



Margaret A. Chance, FSA, MAAA

Consulting Actuary

June 3, 2011

Date

**Attachment A**

**Statement Regarding Accuracy and Completeness of  
Underlying Data Sources**



Celtic Insurance Company

---

Sears Tower  
233 South Wacker Drive, Suite 700  
Chicago, Illinois 60606-6393  
312-332-5401

**Celtic Life Insurance Company**

**California Rate Filing – Independent Actuarial Certification**

**Statement Regarding Accuracy and Completeness of the Underlying Data Sources**

I, Randall S. Jones, FSA, MAAA, of Celtic Insurance Company, hereby affirm that the relevant information and data prepared for and submitted to Margaret A. Chance, FSA, MAAA, was prepared under my direction and, to the best of my knowledge and belief, is substantially accurate and complete.

A handwritten signature of Randall S. Jones in black ink, written over a horizontal line.

Randall, S. Jones, FSA, MAAA

Vice President, Actuary

A handwritten date "5/19/11" in black ink, written over a horizontal line.

Date

**Attachment B**  
**Celtic Life Insurance Company**  
**Rate Development Projection - Closed Block (Inforce Only)**

The following provides a summary of the rate increase projection information, as provided by Celtic. This information can also be found in Exhibits 1 - 3 of the actuarial memoranda.  
 Projected values are done by Celtic using a serialim-base projection system.

**California Experience Only**

Credibility Adjusted Experience				Proposed RI	8.0%
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Year	Earned Prem w/o Rate Inc.*	Incurred Claims	Loss Ratio w/o Rate Inc	Expected	A-to-E	Earned Prem w/o Rate Inc	Claims	Loss Ratio w/o Rate Inc	Loss Ratio w/ Rate Inc	A-to-E w/ Rate Inc
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*Exhibit 1 - Historical (Inforce Only)*

2005	\$98,973	\$174,507	176.3%	75.2%	2.345					
2006	118,787	161,942	136.3%	76.4%	1.784					
2007	138,811	91,372	65.8%	75.5%	0.872					
2008	194,063	75,275	38.8%	74.5%	0.521					
2009	233,672	279,475	119.6%	76.0%	1.574					
01 - 09/10	176,648	122,389	69.3%	76.5%	0.906					
Total	\$960,954	\$904,960	94.2%	75.7%	1.244					

*Rate Development/Projection*

10/09 - 09/10	\$260,821	\$180,961	69.4%	72.0%	0.964					
4Q10 - 1Q11	\$341,861	\$220,524	64.5%	72.0%	0.896	\$341,861	\$249,820	73.1%	73.1%	1.015
2Q11	\$342,181	\$226,608	66.2%	72.0%	0.920	\$342,181	\$256,812	75.1%	69.5%	0.965
3Q11	\$342,181	\$232,710	68.0%	72.0%	0.945	\$342,181	\$263,727	77.1%	71.4%	0.991
4Q11	\$342,181	\$238,980	69.8%	72.0%	0.970	\$342,181	\$270,833	79.1%	73.3%	1.018
1Q12	\$342,181	\$245,423	71.7%	72.0%	0.996	\$342,181	\$278,135	81.3%	75.3%	1.045
Average	\$342,181	\$235,930	68.9%	72.0%	0.958	\$342,181	\$267,377	78.1%	72.4%	1.005
Total	\$1,368,724	\$943,721	68.9%	72.0%	0.958	\$1,368,724	\$1,069,507	78.1%	72.4%	1.005

*Exhibit 1 - Nationwide Experience*

*Credibility Adjustment*

	Earned Prem	Inc Claims	Loss Ratio	Expected	A-to-E	A-to-E Credibility	CA	NW	Average
2005	\$8,245,774	\$8,311,617	100.8%	72.5%	1.390		0.896	1.026	1.015
2006	10,292,445	11,374,458	110.5%	73.3%	1.508		8.7%	91.3%	
2007	12,601,201	11,678,025	92.7%	73.6%	1.259				
2008	16,061,049	13,327,531	83.0%	73.8%	1.124				
2009	18,789,146	17,523,007	93.3%	75.0%	1.243				
01 - 09/10	16,019,444	12,041,708	75.2%	75.7%	0.993				
Total	\$82,009,058	\$74,256,346	90.5%	74.2%	1.220				

Historical (10/09 - 9/10)	\$21,163,653	\$16,630,786	78.6%	75.5%	1.041				
Projected (10/10 - 03/11)	\$26,395,021	\$20,479,140	77.6%	75.6%	1.026				

\* Earned premium used in the rate development is at the current rate basis for time period.